

# A CROSS OF GOLD

[The full text of an address presented at the October 2010 Meeting of the Committee for Monetary Research & Education, in New York City.]

The present domestic and international monetary and banking systems have slipped into the initial stages of terminal dissolution. In their present forms, they cannot long survive.

This is not merely my own opinion, but the view of no less than the United Nations Economic and Social Council. In July of this year it published a report entitled *United Nations World Economic Situation and Prospects 2010*,<sup>1</sup> which stated that “[t]he risk of exchange-rate instability and a hard landing of the dollar could be reduced by having a global payments and reserve system which is less dependent on one single national currency”, and that “[a] new global reserve system could be created, one that no longer relies on the United States dollar as the single major reserve currency”.

This is globalist duckspeak for “our present funny-money scam is coming apart at the seams” and “we need to set up a new Ponzi pyramid before the old one collapses”. But if not in its prescription, yet in its description the United Nations states the truth.

So the question is not “Will the present domestic and international monetary and banking systems split apart at their seams?” but whether, in the course of their inevitable unraveling, they will drag this whole country—the *real* America, the America which was once worth the price of admission, the America which used to be a beacon of hope for the entire world—down with them.

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<sup>1</sup> To be found at <<http://www.un.org/esa/policy/wess/wesp2010files/wesp2010pdf>>.

Or, more precisely, the question is whether those among the American people who are alert to this danger will sit idly by and allow the worst to happen.

“They also serve who only stand and wait” cannot be the watchword in the coming battle. Remaining aloof will not be a viable option.

No hope is to be found in the notion that various clever ways exist for individuals to profit personally from the collapse of the reigning monetary and banking systems.

Speculators conjure profits to be reaped from increases in the so-called “price of gold”—going up, up, and up. This, however, is a lamentable econological fallacy, because it measures the value of gold in terms of another, *and a terminally unstable*, currency: Federal Reserve Notes.

Increases in the so-called “price of gold” largely reflect the decreasing purchasing power of Federal Reserve Notes as against gold—inexorably going down, down, and down (whether because of actual increases in the supply of Federal Reserve Notes or because of an erosion in public confidence in the value of whatever supply exists). If economic history is any guide, the day will surely come when Federal Reserve Notes—as have so many other paper currencies of their ilk—become worthless, except as numismatic curiosities. Then “the price of gold” in Federal Reserve Notes will be exceedingly, perhaps astronomically, high. *But no one will care.* Once upon a time, “the price of gold” measured in Weimar “marks”, or even in Confederate “dollars”, was significant. What, though, is “the price of gold” in Weimar or Confederate currency today? Does anyone know? Why would anyone bother to find out? And why should things turn out differently for Federal Reserve Notes?

Astute Americans need to envision, and then to bring about, a *new* monetary system in which no one talks about “the price of gold”, but only of

“prices *in* gold”.<sup>2</sup> No “price of gold” exists when a fixed weight of gold is the actual unit of money. Under those circumstances, *all prices are stated in terms of gold*. When a fixed weight of gold is the unit of money, “the price of gold” is a meaningless concept, or at best a tautology: namely, “the price of a unit of gold” is precisely “a unit of gold”. In that context, asking what is “the price of gold” would be as sensible as asking today what is “the price of a nominal ‘one-dollar’ Federal Reserve Note”.

So, other than waiting for disaster to supervene, exactly what is to be done?

There are at least three basic plans for dealing with the present situation:

*First*, the plan of the international political and financial crime families to maintain their empire of “funny money”.

*Second*, various plans for “reforming” and “regulating” the Federal Reserve System and somehow “returning” to something some people call a “gold standard”, based on a “redeemable currency” that is somehow “backed” by gold. And,

*Third*, a plan for replacing the present unstable and unsustainable monetary and banking systems with an entirely new system of economically sound, honest, and constitutional money—by introducing into the free market and State governments an alternative currency consisting *solely of gold*, with no admixture of paper, and then letting competition between Federal Reserve Notes and specie settle the matter, once and for all.

The first two plans are similar, in that they are predicated upon imposing

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<sup>2</sup> Gold and silver are the constitutional monetary metals, and the actual constitutional unit of money is silver (the “dollar” of 371.25 grains troy), with gold valued in units of silver at its free-market exchange-rate with silver. But to simplify this discussion, this paper will treat gold alone as the proxy for the more complicated system.

control “from the top down”: namely, common people must use whatever currency “the authorities”—domestic or international—decree.

Under the third plan, control derives “from the bottom up”: namely, the people may use whatever currency they desire, and those who elect to employ the alternative currency can simply walk away from the Federal Reserve System.

It may be imagined, however, that the second and third plans are at least similar, because they both rely on gold to some significant degree. Nothing could be further from the truth, however.

Here, careful analysis is in order—

### [1] A new *supra-national* monetary régime.

The international political and financial crime families know full well that the Federal Reserve System—indeed, the whole complex, corrupt apparatus that couples private banks and public institutions through the Treasury of the United States—is inherently unstable and needs to be replaced, because it can no longer be propped up, let alone reformed in any fundamental sense. Aware that the Federal Reserve System’s days are numbered, they intend to translate the paper-currency scam to the next level, just as they have done, step by step, in crisis after crisis, throughout American history.

To understand the genesis of this plan, a review the past is necessary:

Prior to the Civil War, America suffered from two attempts by Congress to impose a so-called “national bank” (the first and second Banks of the United States), as well as from the States’ creation of numerous State and local banks, both private and *quasi-public* in character. This loose arrangement failed, because of the inherent instability of fractional-reserve banking and the insoluble economic and political conflicts it inexorably and inevitably generates. In particular, although all of the banks operated on the same principle of “fractional reserves”, no way was found to coördinate and control individual banks’ cycles

of expansion and contraction of currency and credit for mutual benefit of the banks as a class. Instead, the banks' unregulated competitive looting of society through monetary manipulations led periodically to serious economic breakdowns called "bank runs", "suspensions of specie payments", "stringencies", "panics", "depressions", and so on. To overcome these problems, the locus of the bankers' economic power needed to be translated to a higher level, and their economic power needed to be brigaded with, or at least protected by, political power.

Thus, during the Civil War, to prop up and organize the fractional-reserve system, a new set of banks—called "National Banks"—was created and tied to the United States Treasury and the national debt through the National Currency Acts in 1863 and 1864. Yet, although these institutions were called "National Banks", this was a scheme of merely *regional and imperfect cartelization*.

The weaknesses of this system became apparent only forty-three (43) years after the initiation of the scheme, when the great panic of 1907 proved that the National Banking System needed a major overhaul. The fundamental flaws pointed out at the time were that the system provided no single "lender of last resort" to pump up the pyramid of currency and credit in times of crisis, and set up no central regulator to discipline the bankers in order, if possible, to forefend crises altogether. To overcome these deficiencies, the locus of economic power needed to be translated to a still higher level.

So *full national cartelization and central regulation* of the banks was set up in the Federal Reserve System through the Federal Reserve Act of 1913.<sup>3</sup> Indeed, the Federal Reserve System went beyond mere national cartelization to *national Ponziification*. The Federal Reserve regional banks promised their depositors to redeem Federal Reserve Notes on demand, which promises were "guaranteed"

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<sup>3</sup> An Act To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, Act of 23 December 1913, ch. 6, 38 Stat. 251.

by the United States Treasury's ability to extract payments from taxpayers.<sup>4</sup> So, just as in a classical Ponzi scheme present payments to the first tier of "investors" are "guaranteed" by revenues to be derived from subsequent tiers of duped "investors", under the Federal Reserve System promises of present redemption of Federal Reserve Notes were "guaranteed" by anticipated tax revenues—except that, far better than the classical Ponzi scheme, these revenues could be *coerced* from *unwilling* "investors".

Yet, once again, the inherent, inexorable instability of "fractional-reserve banking" proved too destructive for legislative draftsmen to contain. By 1932—a scant twenty (20) years after its inception—the Federal Reserve System (as the saying has it) "went off the gold standard" by suspending specie payments domestically in 1933 and 1934. And that suspension continues to this very day.

Nonetheless, because of the uniquely favorable situation of the United States in the aftermath of World War II, it was possible once again for the magicians of monetary manipulation to secure their own positions by translating the locus of economic power to a still higher level. Under the Bretton Woods Agreement<sup>5</sup> and the International Monetary Fund<sup>6</sup> in 1945, the Federal Reserve System effectively became the first "world central bank", and the Federal Reserve Note effectively became "the world reserve currency".

This went beyond national cartelization and Ponzification to *international Ponzification, but still nationally centered*. That is, the bankers' scheme moved to a higher level than under the original Federal Reserve Act of 1913, *but still only partially and imperfectly*.

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<sup>4</sup> See FR Act of 1913, § 16, ¶ 1, now as amended, 12 U.S.C. § 411. To be sure, the Treasury could then assert a first lien on the assets of the Federal Reserve regional banks. See FR Act of 1913, § 16, ¶ 4, now as amended, 12 U.S.C. § 414. But what good would this be if those banks were bankrupt and therefore without sufficient assets?

<sup>5</sup> Act of 31 July 1945, Pub. L. 171, 59 Stat. 512.

<sup>6</sup> T.I.A.S. 1501 (27 December 1945), 60 Stat. 1401, especially Art. IV, § 1(a), 60 Stat. at 1403.

A central pillar of this structure collapsed only twenty-six (26) years later, though, when the Federal Reserve System and its surety, the United States Treasury, defaulted on “the international gold standard” in 1971, suspending specie payments on Federal Reserve Notes to everyone everywhere. And that suspension, too, continues unto this very day.

Now the disintegration of the entire edifice of central banking and fractional-reserve debt-currencies has begun—not just nationally, but globally as well—only thirty-nine (39) years after the final repudiation of redemption of Federal Reserve Notes in gold in 1971.

Observe that, before it lurched into chaos, the first “world central bank” and “world reserve currency” held together for only thirteen (13) years more than the original Federal Reserve System (from 1913 to 1933), and for four (4) years less than the original National Banking System (from 1864 to 1907).

Today, similar to the situations that existed prior to the National Currency Act and the original Federal Reserve Act—(i) A multiplicity of national or regional central banks, all operating on the faulty principle of “fractional reserves”, exists. And (ii) All of these banks are attempting to accommodate irresponsible governmental fiscal policies and robber-baron pillaging of private economies in their home territories.

The difference is that an *ersatz* “world central bank” has been jury-rigged around the Federal Reserve System—but it is located in one country, is tied to that country’s laws, and is trying to sustain the reckless fiscal policies and unbridled financial brigandage of perhaps the most fiscally profligate and even corrupt of all nations in the history of the world. (Again, this is not my opinion only. Professor Laurence Kotlikoff now estimates the General Government’s so-called “fiscal gap”—that is, the present value of the difference between projected governmental spending and projected government revenues in all future years—to be more than \$200 trillion “dollars”.<sup>7</sup> And this is “the fiscal gap” of the

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<sup>7</sup> See his article “United States is bankrupt” at <[www.bloomberg.com/news/2010-08-11](http://www.bloomberg.com/news/2010-08-11)>.

## General Government *alone*!

As with the National Currency Act, no adequate “lender of last resort” is available to bail out the Federal Reserve System as a whole (other than perhaps the United States Treasury, by printing so-called “Lincoln Greenbacks” directly). And no *supra-national* regulator exists to moderate the Federal Reserve’s excesses. No *national* regulator exists, either, as Congress has proven impotent and incompetent in that capacity—or, perhaps more accurate a description, has functioned as a co-conspirator in the process of domestic and international looting.

Thus, the world is confronted by a shaky state of affairs similar to that which plagued the United States during the era of the National Currency Act and that led to the creation of the Federal Reserve System—except that the present situation is orders of magnitude more serious.

So, one can confidently predict on the basis of precedent that the international political and financial crime families will now attempt to create a true *supra-national* world “central bank of issue” empowered to emit a new *supra-national* currency, *supra-nationally* “managed”, and to exercise regulatory authority over all national central banks—in all things free from control by *any* national or regional government. Which, of course, will render this new *supra-national* bank itself a species of world government, or at least the nucleus of one.

As pointed out earlier, one such plan has already been floated among the international élitists through the United Nations Economic and Social Council. The United Nations *World Economic Situations and Prospects 2010* has called for the Federal Reserve Note to be replaced as the reserve currency for international trade with a new currency to be issued by the International Monetary Fund, and initially based on the IMF’s so-called “special drawing rights”.<sup>8</sup> More recently, on

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<sup>8</sup> “Special Drawing Rights” are an *ersatz* international reserve currency, the value of which are derived from a “basket” of major currencies, and that are allocated to members of the IMF in proportion to the amounts of gold or (primarily) major foreign currencies that those members deposit with the IMF.

4 October of this year the Institute of International Finance, a consortium in which are associated some four hundred twenty (420) of the world's most important banks and financial institutions, issued a policy letter which also advocated the emission by the IMF of a new currency based on "special drawing rights".

Actually, this is not a new idea. In essence, it was John Maynard Keynes' original proposal leading up to Bretton Woods—namely, that a true supra-national bank would emit its own global currency, to be called the bancor, which eventually would supplant all national and regional currencies, not only in international but also in domestic commerce (and, presumably, with respect to all political payments, such as taxes, too). So, one can expect that theoreticians of and other mouthpieces for paper currency and fractional-reserve central banking will now contend that the present failure of the Federal Reserve System as an ersatz "world central bank" arose precisely because world leaders did not follow Keynes' recommendation.

In any event, whatever its provenance, the globalist political oligarchs and the globalist economic oligarchs are now all playing the same discordant tune. And when one hears the overture, he knows that the opera cannot be far behind.

The supra-national character of this proposed new global currency, and of the institution that will emit it, is of crucial importance, because contemporary Americans still retain the power to deal with the Federal Reserve System directly, through Section 30 of the Federal Reserve Act of 1913, which provides that "[t]he right to amend, alter, or repeal this Act is hereby expressly reserved."<sup>9</sup> But they will lose this power when a supra-national monetary scheme is imposed on them. And whatever other, similar power (if any) they might retain for themselves will depend upon the terms of the treaty or other international agreement by which the new currency gains legal-tender status in the United States.

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<sup>9</sup> 38 Stat. at 275.

To be sure, a treaty cannot override the Constitution of the United States. And a treaty can always be set aside, in part or in whole, by a subsequent statute of Congress. Nonetheless, because the American people never demanded that it be enforced, the Constitution has not stopped, or even retarded the profligacy of, the Federal Reserve System since 1913. Neither have the Members of Congress whom the people have elected generation after generation ever invoked Section 30 of the Federal Reserve Act, or any other provision of any other statute, to correct the banking cartel's excesses, except to make them worse (such as by removing redemption in gold, outlawing the private ownership of gold from 1933 until 1973, and outlawing gold-clause contracts from 1933 until 1978). So one can safely presume that any new supra-national global currency and central bank will be even harder for Americans to influence, let alone control, than the Federal Reserve System has proven to be.

The true perversity of the present situation lies in the indication—indeed, in some quarters the expectation—that this scheme for a new supra-national monetary order will be sold to a doubting world by attaching some sort of “gold standard” to it. This could be used as the bait to entice naive people tired of monetary instability caused by international bankers to bite on the hook of supra-national management of their economies by the selfsame international bankers.

Beyond any doubt, however, whatever will be offered will not be even a traditional “gold standard”, perforce of which the issuer of a unit of paper currency (or bank credit solvable in that currency) will be required by law to exchange each unit of its currency for a fixed weight of gold upon demand by the holder of that currency. Neither will it be a true “gold standard”, in which the only actual unit of money is a fixed weight of gold, and everything else is merely an instrument of debt without final “legal tender” force as currency. So, even with whatever thin gold veneer may be provided (if that is the ruse to be used), the new supra-national global currency will be a deception from its inception.

In light of the precedents, though, notwithstanding its inherent instability

the new swindle may be able to perdure for perhaps another forty (40) years, during which time tremendous further looting, waste of resources, and other damage will be visited upon the peoples of the world.

Yet, one may doubt that any such *supra-national* monetary and banking structure will soon be created under present conditions.

First, the European monetary union—which, in large measure, is the regional precedent for such a global arrangement—is now under increasing strain, and threatens to collapse, with its constituent countries perhaps returning to their national currencies.

Second, no reason exists to believe that Russia and China, in particular, will agree to submit their economies to some *supra-national* monetary and banking authority—and quite a few reasons to suspect that Germany might desire to become part of a new political and economic *bloc* consisting of Germany, Russia, and China, an expanded economic and political *Dreikaiserbund* the wisdom of which Bismarck would certainly have appreciated.

In any event, in the face of these possibilities, *what are Americans in particular to do to protect their interests?*

Basically, they have two choices:

(1) Americans can try to salvage, “repair”, “restore”, and then control the present Federal Reserve System. Or,

(2) They can provide themselves with an *entirely new* currency, preferably before the present one completely self-destructs.

## [2] Salvaging the Federal Reserve System by returning Federal Reserve Notes to redeemability in gold.

More than half a century ago, Professor Walter E. Spahr rather starkly summed up the situation:

It should not be surprising that apparently all who would socialize our economy are opposed to the restoration of a redeemable currency in the United States. Either because they understand the relationship between an irredeemable currency and the process of socialization or because they simply note that Socialist, Communist, and Fascist governments employ irredeemable currencies as a means of controlling and managing the people, advocates of government dictatorship seem invariably to defend irredeemable currencies with the utmost vigor. The evidence seems overwhelming that a defender of irredeemable currency is, wittingly or unwittingly, an advocate of socialism or of government dictatorship in some form.

So long as a government has the power over a people that is provided by an irredeemable currency, all efforts to stop a government disposed to lead a people into socialism tend to be, and probably will be futile. The people of the United States have observed all sorts of efforts, organized and individual, to bring pressure upon Congress to end its spending orgy and processes of socialization. It should be amply clear by this time that none of these efforts has succeeded. Moreover, there is no reason for supposing that any of them, except the restoration of redeemability, can succeed in arresting our march into socialism.

With all due respect to the memory of Professor Spahr, however, the fundamental problem is not *irredeemable* currency. It is, and always has been, *redeemable* currency—at base, the delusion that the thing being redeemed (a paper note) is the actual “money”, not the thing in which redemption is made (a piece of actual gold).

Revealingly, not even the original Federal Reserve Act made that error. Section 16 of the Act provided that

Federal reserve notes, to be issued at the discretion of the Federal Reserve Board for the purpose of making advances to Federal reserve banks \* \* \* are hereby authorized. The said notes

shall be obligations of the United States, and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in gold on demand at the Treasury Department of the United States, \* \* \* or in gold or lawful money at any Federal reserve bank.<sup>10</sup>

Observe: From the very first, Federal Reserve Notes were denominated “advances” and “obligations”—that is, instruments and evidence of *debt*. True “money”, however, is the most liquid of all *assets*, not a debt that might be repudiated, and certainly not a debt that has been serially repudiated.

And if Federal Reserve Notes were from the start to be “redeemed \* \* \* in gold or lawful money”, they obviously were never conceived to be either “gold” or “lawful money”. So, because by definition the only “money” the law recognizes is “*lawful* money”, by law Federal Reserve Notes were never actual “money” at all, but at best only some sort of *substitute* for “money”.

The monetary conjurers’ trick has been, slowly, steadily, and stealthily, to reverse this understanding in the public’s mind. That is, to make the substitute pass for the real thing, and then remove the real thing from the operation.

This subterfuge was not overly difficult to put over. After all, in the term “redeemable currency”, which is the noun and which the adjective? When people deal with a “paper currency redeemable in gold”, the natural uninstructed inclination is to treat the paper currency as “money” and the gold as something else. The paper currency, as the saying goes, is merely “backed” by gold—but of course is not itself gold. And because the currency is not itself gold, the money-manipulators can remove the gold “backing” further and further into the background, *without affecting the nature of the paper as “currency” (at least nominally)*.

Thus, a “redeemable currency” can be converted into a “contingently

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<sup>10</sup> ¶ 1, 38 Stat. at 265.

redeemable” or “conditionally redeemable” currency, through temporary suspension of specie payments (as happened repeatedly during the Nineteenth Century); and then into a full-fledged “irredeemable currency”, through permanent suspension of specie payments, as with Federal Reserve Notes after 1933 domestically and 1971 internationally.<sup>11</sup>

Yet, to the average citizen (whose most serious liability is mental inertia), even though a paper currency’s promise of redemption has been dishonored, it nonetheless remains “currency”.

Thus one grasps that the so-called “right to redemption” attached to any paper currency is actually a *liability*, inasmuch as it exposes the holders of that currency to repudiation, because they possess only the paper, *not the gold*.

Even in the best of times, the holders of redeemable paper currency are not economically and politically independent. Rather, they depend upon the honesty and the competence of the money-managers.

This is why America’s Founding Fathers, realists all, denominated redeemable paper currency as “bills of credit”. They knew that such bills’ values in gold or silver always depended upon the issuers’ credit—that is, ultimately, the issuers’ honesty and ability to manage their financial affairs.

The unavoidable trouble with “bills of credit”, though, is that they can (and usually do) turn out to be “bills of discredit”, when the holders discover that the money-managers are *dishonest* and *incompetent*—or worse, as is the situation today, highly competent at dishonesty. Then the holders of the paper currency realize how unwise it is to allow the gold to be held by the very people with the greatest incentive, and the uniquely favorable position and opportunity, to steal it.

But when the money-managers refuse to redeem their currency, what can

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<sup>11</sup> See 31 U.S.C. § 5118(b and c).

the holders of that currency do to protect themselves? Well, what were they able to do in 1933 and in 1971? *Nothing*. If the holders of Federal Reserve Notes had enjoyed an effective, enforceable “right” to the gold that the Federal Reserve System and the Treasury of the United States promised to pay in redemption of those notes—that is, if the currency had been “redeemable” in the only meaningful sense that *redemption was absolutely assured as a matter of law and fact*—the gold seizures of 1933 and 1971 would never have happened.

Thus, the ostensibly “redeemable” character of paper currency of the *pre-1933* and *pre-1971* type did not protect the holders of that currency. Instead, *it turned out to be the very device used to deceive, defraud, and dispossess them of gold*—proving in the most palpable manner that a society’s acceptance of “redeemable currency” is the product of confusion and the invitation to inevitable economic and political disaster.

In *The Theory of Money and Credit*, Ludwig von Mises outlined a proposal for returning to a Federal Reserve Note redeemable in gold. No doubt, coming from that source, it is a workable approach. But, even assuming *arguendo* that it could be done, *why should it be done?*

A plan of this type offers no more than a cruelly delusive hope. Consider some of the demerits of this type of plan—

- First and foremost, the goal is not constitutional in any event, because every form of “redeemable currency” put out through the Federal Reserve System is, by definition, a governmental “bill of credit”, which Congress has no authority to emit, directly or indirectly.

Moreover, the Federal Reserve System is a corporative-state banking cartel indistinguishable from the very types of cartels set up under the National Industrial Recovery and Bituminous Coal Conservation Acts, which the Supreme Court declared unconstitutional, without dissenting voice, in the

*Schechter* and *Carter* cases in the mid-1930s.<sup>12</sup> Except that the Federal Reserve System is arguably worse, because the monetary and banking cartel influences every form of production and delivery of all goods and services throughout the country, so that the confusion and corruption it injects into the free market is pervasive in a manner in which even the National Industrial Recovery Act was not and could never have been.

The question of constitutionality the key to the whole problem, because, if the Constitution had been faithfully executed all along, America would not be treading water in a monetary septic tank today. And only by returning to the Constitution can Americans hope to extricate themselves completely in the long run. Yet vanishingly few people take much notice, or appear to be at all worried, that, as far as the constitutional aspects of money and banking in America are concerned, Mussolini won the political and economic war—that, in truth, this country now suffers under the Fascist Reserve System.

- Leaving aside questions of constitutionality, and turning to matters of fact, the plan for returning the Federal Reserve System to redemption of its notes in gold retains the fascistic Federal Reserve System's banking cartel, which will perpetuate *factionalism* at the heart of America's economy. In *The Federalist* No. 10, James Madison pointed out that

[a]mong the numerous advantages promised by a well constructed Union, none deserve to be more accurately developed than its tendency to break and control the violence of faction. The friend of popular governments never finds himself so much alarmed for their character and fate as when he contemplates their propensity to this dangerous vice. \* \* \* The instability, injustice, and confusion introduced into the public councils have, in truth, been the mortal diseases under which popular governments have everywhere perished, as they continue to be the favorite and fruitful

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<sup>12</sup> A.L.A. Schechter Poultry Corp. v. United States, 295 U.S. 495 (1935); Carter v. Carter Coal Co., 298 U.S. 238 (1936).

topics from which the adversaries to liberty derive their most specious declamations. \* \* \*

By a faction, I understand a number of citizens, whether amounting to a majority or minority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community.

Madison then went on to point out what he considered egregious forms of factionalism, starting with “[a] rage for paper money”.

This passage seems to have been penned for the Federal Reserve System and “the financial community” of which it is the cornerstone. For no one can possibly deny that this edifice of financial chicanery serves one very narrow set of very special, very selfish interest groups, largely at the expense of everyone else in society. Neither is it deniable that, together with its satellites and clients, the Federal Reserve System holds the entire country hostage to “the financial community’s” negligence, incompetence, venality, corruption, and even criminality. For, if the System is not exonerated and “bailed out” repetitively from the consequences of its own blunders and sordid excesses—as it has been, serially and under conditions of increasing severity and cost, since 1932—its managers and clients threaten, either implicitly or even volubly as they did before the TARP “bail out”, to take down the entire national economy, and with it this country as a whole, bringing about untold political and social dislocations, disturbances, distress, and destruction. *This is the essence of malignant factionalism.*

- The plan for returning the Federal Reserve System to redemption of its notes in gold is also economically psychotic: It does not propose to rein in fractional-reserve banking and the destructive Ponzi schemes fractional-reserve practices foster. Rather, it presumes that fractional-reserve banking will continue to operate indefinitely, just as it has in the past, supposedly to be “stabilized” by the Federal Reserve System and a resurrected *pseudo*-“gold standard”. *But, as both theory and history attest, it is fractional-reserve banking that has made a stable “gold standard” of the traditional type impossible.* So the plan is bottomed on the

self-contradictions that a system antithetical to a “gold standard” can be stabilized by a “gold standard”, and that a “gold standard” will long remain an integral component of a system the most profitable operations of which a “gold standard” constrains!

- The plan for returning the Federal Reserve System to redemption of its notes in gold does not separate fractional-reserve banking from the government, but accepts and even hopes to cement their integration permanently. Because fractional-reserve banking is inherently unstable, this arrangement is triply unsatisfactory: (i) This unnatural coupling destabilizes the government’s finances. (ii) By misusing the government’s monopoly of force in what will inevitably prove a vain attempt to stabilize the banking cartel, it destabilizes this country’s economic and political systems in their entirieties. And (iii) it destabilizes even the banking cartel itself, because the protection the cartel receives from the consequences of its own excesses, perforce of its special relationship with the government, encourages and facilitates the bankers’ perpetration of further and more egregious excesses.
- The plan for returning the Federal Reserve System to redemption of its notes in gold, and thereafter administering the national stock of currency and credit on that basis, is in the final analysis a scheme of central economic planning—employing bureaucratic managers to maintain a fixed rate of redemption of paper currency in gold in the face of both ever-changing conditions in the free market, and the tendency to Ponziification of fractional-reserve banks and the rapacious “financial community” allied therewith. But is not the salient economic lesson of the Twentieth Century that central economic planning does not work, no matter how many computers and information-technology *gurus* are put to the task?

Would anyone in his right mind advocate the establishment of a Federal Bread Board to manage the production and distribution of bread throughout America? If every person of sound mind would reject this notion for one simple commodity such as bread (which anyone with a cookbook can learn how to bake in an afternoon), let alone for all categories of production in the most complex

economy the world has ever known, then on what reasoning should it be accepted for the very special commodity—money—the soundness or unsoundness of which affects the production and distribution of *all* goods and services throughout the economy, because it is the commodity in which the exchange rates of all goods and services are measured?

On the other hand, if the Federal Reserve System has proven to be such a good idea since 1913, or 1933, or 1971, or perhaps even the last several years, then why should its marvelous principles of organization, control, and concern for the welfare of average Americans not be extended to all other necessary commodities, such as food, clothing, shelter, personal transportation, and health care, to name just a few? Why should not America resurrect and reinstitute the National Industrial Recovery Act?

Why not, indeed? For this is exactly what is going to happen—in fact, if not perforce of some statute—because the tail (the Federal Reserve System) will end up wagging the dog (the rest of the economy). And if the tail is fascistic, so will the dog eventually become fascistic. *Central fascistic control of the pricing system through manipulation of currency and credit must eventually lead to central fascistic control of the entire productive system.* Which will require police-state mechanisms to keep the bulk of the population in line, as common Americans' standards of living decline towards second- and even third-world levels.

- The plan for returning the Federal Reserve System to redemption of its notes in gold is politically impractical, if not wholly implausible, because any such reform has to be accomplished at the level of the Federal Reserve System through the General Government.

Now, for various reasons of institutional incompetence, this plan cannot be put into effect through the Judiciary. The Judiciary may be able—although one must doubt that it would ever be willing—to declare some or all of the Federal Reserve System to be unconstitutional or otherwise unlawful; but it cannot prescribe to Congress the substance of new statutes necessary to correct the situation, and certainly cannot compel Congress to enact such legislation.

Thus, the Judiciary can suddenly cause chaos within the monetary and banking systems, by throwing a legal monkey-wrench into their gears, but can do next to nothing to repair the damage its own actions would bring about. Knowing that limitation on their powers, judges would likely do everything possible to avoid deciding a case that raises such issues.

Therefore, to be successful, the proponents of the plan for returning the Federal Reserve System to redemption of its notes in gold would need to gain control of or decisive influence over the Executive Branch, so as to be able to use (say) the authority granted in 12 U.S.C. § 95(a)<sup>13</sup> and 31 U.S.C. § 5119(a)<sup>14</sup>—as well as the ability effectively to veto any contrary legislation emanating from Congress.

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<sup>13</sup> 12 U.S.C. § 95(a) provides that “[i]n order to provide for the safer and more effective operation of the national Banking System and the Federal Reserve System, to preserve for the people the full benefits of the currency provided for by the Congress through the national banking system and the Federal reserve system, and to relieve interstate commerce of the burdens and obstructions resulting from the receipt on an unsound or unsafe basis of deposits subject to withdrawal by check, during such emergency period as the President of the United States by proclamation may prescribe, no member bank of the Federal reserve system shall transact any banking business except to such extent and subject to such regulations, limitations and restrictions as may be prescribed by the Secretary of the Treasury, with the approval of the President. Any individual, partnership, corporation, or association, or any director, officer or employee thereof, violating any of the provisions of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than \$10,000 or, if a natural person, may, in addition to such fine, be imprisoned for a term not exceeding ten years. Each day that any such violation continues shall be deemed a separate offense.”

<sup>14</sup> 31 U.S.C. § 5119(a) provides that “[e]xcept to the extent authorized in regulations the Secretary of the Treasury prescribes with the approval of the President, the Secretary may not redeem United States currency (including Federal reserve notes and circulating notes of Federal reserve banks) in gold.”

Presumably, this would allow redemption in gold *bullion* only. See 31 U.S.C. § 5118(b): “The United States Government may not pay out any gold coin. A person lawfully holding United States coins and currency may present the coins and currency to the Secretary of the Treasury in exchange (dollar for dollar) for other United States coins and currency (other than gold and silver coins) that may be lawfully held.” And 31 U.S.C. § 5119(a): “When redemption in gold is authorized, the redemption may be made only in gold bullion \* \* \* in an amount equal at the time of redemption to the currency presented for redemption.”

Or, of greatest value, the proponents of this plan would need to gain control of or decisive influence over Congress, in order to enact new laws that the Executive Branch and the Federal Reserve System would then follow—and, of course, along with this, the ability to override any veto of those new bills, as well as to punish any failure or foot-dragging by the Executive Branch in the execution of these laws.

Furthermore, the proponents of this plan would also, perhaps especially, need to gain control of or to assert decisive influence over the Federal Reserve System itself and its allies in “the financial community”—which otherwise could effectively veto or paralyze the execution of any proposed reforms by threatening to create chaos in the markets. Unless those threats were deterred with promises that any such interference would be met with severe punishments—such as are mandated in 12 U.S.C. § 95(a).

So, all things considered, a true reform from *any* of these sources—although necessary and sufficient—is *extremely* unlikely. Instead, any supposed “monetary and banking reform” coming from these sources will almost surely be aimed at erecting a new *supra-national* currency and central bank. “The financial community’s” mouthpieces are already telling America precisely that.

Even assuming *arguendo* that the political problem of control of or influence over the General Government and the Federal Reserve System could be solved, intractable practical problems would remain—

- The plan for returning the Federal Reserve System to redemption of its notes in gold depends upon using the gold in the so-called “national gold stock” for the initial round of redemption. That, however, leaves open the questions:

- (i) How much gold is actually there? And,
- (ii) How much of that gold is encumbered in some way so that it cannot be used for redemption? And,

(iii) If sufficient gold is or could be made available for redemption tomorrow, then why is the Secretary of the Treasury not even now fulfilling his statutory obligation, under 31 U.S.C. § 5119(a), to “redeem gold certificates owned by the Federal reserve banks at times and in amounts the Secretary decides are necessary to maintain the equal purchasing power of each kind of United States currency”, at the statutory value of gold with relation to gold certificates “of 42 and two-ninth dollars a fine troy ounce”, set in 31 U.S.C. § 5117(b)? And,

(iv) Notwithstanding the limitations on judicial relief set out in 31 U.S.C. § 5118(c), will individuals be entitled to enforce their claims to redemption of Federal Reserve Notes in actual gold, by obtaining from the courts judgements, mandatory injunctions, and other like orders that require the Federal Reserve Banks and the Treasury of the United States to pay out gold in exchange for those notes at some fixed rate? Or will the supposed “right” of redemption be (as it always has been) a toothless paper tiger?

Obviously, these questions must be *completely and unequivocally* answered before anyone can begin to plan intelligently for, or really even to advocate, a return to redemption of Federal Reserve Notes in gold—or before any holder of those notes takes seriously a reformed Federal Reserve System’s assertion he will enjoy a true *right*, in both law and fact, to redemption.

But will these questions be answered? For example, precisely how can the Department of the Treasury and the Federal Reserve System be compelled to disgorge the necessary information? What will it require to compel the Secretary of the Treasury to fulfill his present statutory obligations in the premises, let alone any new ones that may be required? And how can a true right of redemption be secured, unless it is somehow explicitly recognized and enforced as constitutional in nature?

- In any event, assuming *arguendo* that sufficient unencumbered gold

exists in the “national gold stock” to start the process of redemption, and that the Secretary of the Treasury and other public officials can be compelled to fulfill their duties, the further question nonetheless remains: “At *what rate of exchange* should a Federal Reserve Note “dollar”-bill be redeemed with gold?”

Fortunately, 12 U.S.C. § 411 does not fix the rate of exchange at which Federal Reserve Notes “shall be redeemed in lawful money on demand on the Treasury Department \* \* \* or at any Federal Reserve bank”. And § 30 of the Federal Reserve Act of 1913 licenses Congress to establish essentially *any* rate of exchange. Which is why the original repudiation of redemption of Federal Reserve Notes in gold domestically, and its modification internationally, in 1933 and 1934 was probably constitutional (to the extent the Federal Reserve Act itself is constitutional)—namely, because Congress had explicitly reserved in 1913 the right to make any changes it wanted in the Federal Reserve Act thereafter. So, when the rate of exchange was reduced from \$20.67 per ounce to zero domestically, and from \$20.67 per ounce to \$35.00, and now to \$42.22 per ounce internationally, Congress was merely exercising a right it had retained from the very beginning.

Yet, even given that *any* rate of exchange is allowable, how would a particular, presumably economically correct, new rate of exchange once set be *maintained*?

In light of the serial illegalities and duplicities of the past that brought America to this sorry pass, what new “checks and balances” would be necessary and sufficient to convince a doubting nation and world that the same swindle would not be allowed to be perpetrated again? The Federal Reserve Act of 1913 required redemption of Federal Reserve Notes in gold, and set reserve requirements of 40% for Federal Reserve Notes in actual circulation and 35% for the deposits held in Federal Reserve regional banks—yet these limitations were set aside only twenty (20) years later following the banking collapse of 1932. Franklin D. Roosevelt then set an exchange rate of \$35.00 per ounce of gold for Federal Reserve Notes—yet, in terms of actual payments, this rate became meaningless after August of 1971, only thirty-seven (37) years after Roosevelt

had conjured up the \$35.00 *per* ounce figure. So, critics are entitled to ask—

Are effective economic “checks and balances” possible under present conditions? Assuming good faith and competence in the managers of the plan, can it be made to work at all, even to get back to the situation pre-1971, let alone pre-1933, given the present terrible burden of public and private debt throughout America, the gutting of this nation’s real productive capacity, and her over-extension around the world in military imperialism and adventurism? Then, too,

Are effective political “checks and balances” possible under present conditions? What if the managers who happen to be chosen to oversee the Federal Reserve System and the Treasury in years to come prove incompetent or act in bad faith, or both? What if they simply continue to do the bidding of the racketeering enterprises and other criminal conspiracies that pass for “political parties” in Washington, D.C., and “financial institutions” in New York City?

The plan for returning the Federal Reserve System to redemption of its notes in gold does not in and of itself limit such rogue public officials, bankers, and financial plungers from manipulating currency and credit as the means to grab power and wealth, any more than did the old “gold standard” from 1913 to 1933 (or to 1971). And the precedents do not augur well. For *nothing* that has ever been done since 1913 with an eye towards controlling the Federal Reserve System in the interests of common Americans has ever worked, or perhaps was ever capable of working—or America would not find herself where she is today, being importuned to cede ever more and ever-more-abusive powers to the System’s bosses, with no adequate provision for either reviewability or accountability.

Obviously, implementing a so-called “price rule” is not even a simplistic answer. Such was the basis of the original Federal Reserve Act—the “price rule” being \$20.67 *per* ounce of gold—and everyone knows how well *that* worked.

Without an *absolutely enforceable constitutional* guarantee—and by that is meant *a guarantee enforceable directly by the people themselves, because they either hold their gold in their own hands or themselves physically control the depositories in which their gold is secured*—rogue public officials and their clients in the banking cartel and “the financial community” can be expected to ferret out one means or another to change to their special advantage the rate of redemption(as it was serially altered after 1933) or even to eliminate it entirely (as it was in 1933 domestically and 1971 internationally).

- Even if all of the foregoing problems could be solved, what would be the point?

The plan for returning the Federal Reserve System to redemption of its notes in gold would not provide a truly sound currency, any more than the original Federal Reserve System ever did. It would merely give America the currency of *pre-1933*, or (worse) *pre-1971*, which has been experimentally proven to be unsound.

- The plan for returning the Federal Reserve System to redemption of its notes in gold would perpetuate the fallacy of “redeemable currency”—namely, that the Federal Reserve Note is the “dollar”, and some amount of gold is its “backing”.

But—

A Federal Reserve Note is not a “dollar”, but instead is a mere promise to pay a “dollar”, which has been utterly dishonored by both the banks and the Treasury since 1933 (as to gold domestically) and 1971 (as to gold internationally), even unto this very day.<sup>15</sup>

*And Sound, honest, and constitutional “Money” has NO “backing” consisting of or based on something else. It needs no “backing”, because it has*

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<sup>15</sup> See 31 U.S.C. § 5118(b and c).

**SUBSTANCE in and of itself. It is ACTUAL GOLD, not a mere promise to deliver gold. Sound, honest, and constitutional “Money” cannot be repudiated, because it does not need to and cannot be “redeemed”. It is the ABSENCE of “redeemability”—the LACK OF NECESSITY OR DESIRABILITY for “redeemability”—that constitutes the essence and provides the strength of sound, honest, and constitutional “Money”.**

- As a further demerit, the plan for returning the Federal Reserve System to redemption of its notes in gold would retain the institutions, and attempt to validate the false ideas, that were the instrumental causes of all of our problems. Under this plan, the merry-go-round of financial looting would not be permanently shut down, only temporarily slowed down—and not for a fundamental redesign, but only for repairs and repainting. Then it would then be returned to operation under the same old management (at least in type), running in the same old direction, for the same old purposes. And inevitably with the same old results—because a merry-go-round cannot be straightened out.
- Most distressing to one’s sense of justice, the plan for returning the Federal Reserve System to redemption of its notes in gold also would reward the very class of people who caused or allowed nearly a century of monetary and banking problems to beset this country. By bailing them out of the mess they have caused—without punishment, without even censure, but with protection and payoffs, present and future—it would perpetuate their system, their power, their wealth, their status, their prestige. It would maintain them in positions from which—if they operated in the future as they have in the past, as history and a knowledge of human nature premonish America that they would—they could despoil this country once again, just as they did with the original Federal Reserve System.
- The plan for returning the Federal Reserve System to redemption of its notes in gold would require not only perhaps more perspicacity than Americans probably could muster, but above all more *patience*. It would take a long time to implement. Therefore, it would demand the people’s acceptance—really, the

imposition—of political and economic discipline. Yet where would such patience and discipline be found, when this country is riven by contending factions for which *après moi le déluge* are the watchwords?

In particular, *who* would impose that discipline against all of the economically and politically powerful factions that want “funny money” and the Ponzi pyramids it facilitates? And how could such discipline be maintained, in the face of the monumental, arguably unpayable debt of the General Government? Would it not require the intervention of the Armed Forces—“government by *junta*” in the sorry style of Argentina and other Latin-American republics? One must presume so. For the Department of Homeland Security and the Pentagon are even now preparing, in anticipation of massive civil unrest when the monetary and banking systems finally melt down, to involve the Armed Forces in domestic peacekeeping.<sup>16</sup>

•As if all these shortcomings were not enough, the plan for returning the Federal Reserve System to redemption of its notes in gold would put all of this country’s monetary eggs in one political-cum-economic basket. If the plan did not work, all would likely be lost. This would be equivalent to playing Russian roulette with a semi-automatic pistol.

In sum, the return-to-redemption plan is an act of self-deception, if not desperation, which does not take advantage even of hindsight. For it proposes to reverse American monetary history on the basis of the very principles and practices which that history has already proven to be unworkable.

### [3] An alternative gold currency.

Which brings this survey to the third plan for monetary reform—the adoption on a State-by-State basis of a new, sound, honest, and constitutional alternative currency consisting of actual gold as an—and ultimately the

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<sup>16</sup> See the author’s commentary on this issue, “Going to the Roots of the Problem” at <[www.newswithviews.com](http://www.newswithviews.com)>.

only—currency officially recognized by the State.

In the plan I have proposed, and which has been submitted—albeit, so far, unsuccessfully—to several State legislatures:

- The State adopts as its alternative currency so-called “electronic gold currency”.<sup>17</sup>
- Actual gold bullion is held for depositors in personal *bailment* accounts by an electronic gold currency provider (which could be a private organization or the State’s own Treasury). So no “fractional reserves” are involved.
- Title to the gold on deposit can be transferred among depositors electronically or by more traditional means, such as checks.
- The process begins when the State collects some of her taxes in gold, and offers to pay her creditors with gold, on a first-come, first-served basis, from the gold tax fund.
- As more and more creditors request such payment, depleting the fund of gold secured by those taxes initially collected in gold, the State expands the taxes required to be paid in gold, until the State’s finances are largely, if not completely, on the gold standard.

In the initial plan I drafted,

- Those who are required to deal with the State in electronic gold currency in order to pay taxes, and those who choose to be paid in gold by the States were the only parties, in addition to the State herself, who were required to maintain electronic-gold-currency accounts.
- But, parties who were required to pay their taxes in gold were expected

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<sup>17</sup> Of the type available through, e.g., <[www.goldmoney.com](http://www.goldmoney.com)>.

to find it useful to seek payment from their own debtors in gold, and the State's creditors who sought payment in gold were expected to offer to pay gold to their creditors, too, so that the use of gold would percolate through the private economy in gradual, but inexorable competition with Federal Reserve Notes.

Of course, when the plan was first drafted, it was accepted that this infusion of gold into the State's finances and her private economy would take time. Now, the urgency of the situation requires that the process be speeded up in the following way:

- The State will hold the gold in her own depository, controlled by a State Militia that will be revitalized in the same statute that provides for use of the alternative gold currency.
- Within 30 to 45 or so days of the enactment of the enabling legislation, all members of the Militia—which will include every able-bodied adult from 16 to 60 years of age—will be required to obtain an electronic gold currency account as part of his or her Militia duty.
- Also within those 30 to 45 days, each and every businessman in the State—each of whom is a member of the Militia, too—will be required to set alternative prices and for his goods and services in both gold and Federal Reserve Notes as part of his Militia duty.
- Except with respect to the payment of particular taxes, no one will be required actually to use gold, rather than Federal Reserve Notes, in their financial transactions. Yet, the State will have enabled her citizens to do so, and will have established an alternative price-structure in gold for both her own financial affairs and for her entire private economy. *At that point, the State and her citizens could, to whatever degree they wished, voluntarily go off the Federal Reserve Note standard to a pure gold standard.* And, presumably, the State and increasingly large percentages of her citizens would do so, in pursuit of their own rational economic and political self-interests.

Why would implementation of this plan be advantageous?

- *First and foremost*, adoption of such an alternative gold currency would be an act of foresight. It would recognize that resuscitation of the Federal Reserve System is impossible, and that acceptance of a new global *fiat* currency and central bank to replace that System would be intolerable.
- *Second*, and no less important, adoption of an alternative gold currency would be an act of *scientific* insight, because it would introduce a currency the objective value of which could always be *verified or falsified* immediately upon inspection. That objective value would be a *fixed weight of gold*. It would be an *objective* value, because an ounce of gold is an ounce of gold is an ounce of gold—everywhere throughout the world, no matter what economic, political, or social conditions prevailed. Under this plan, *a specific weight of gold, and only that weight of gold, would become the State's official monetary unit*. Thus, *the holder of the currency himself would not only own but would actually possess the gold, because gold would be the currency*.

Contrast this with a Federal Reserve Note. Even when such a note was “redeemable” in gold, some Federal Reserve regional bank or the United States Government actually owned and possessed the gold that “backed” the note; and the holder of the note had no more than a claim to redemption. Only upon actual redemption did actual title to and possession of the gold change hands. And that right of redemption was eventually cancelled, both domestically and internationally. As to gold, then, Federal Reserve Notes proved to be, as John Exter so well put it, “an I.O.U. *nothing* currency”, made possible because the “currency” and the gold were *separate* things, under the control of *different* people. But with gold as money, *nothing is owed and the holder of the currency holds the gold*, so no debt of redemption can ever be repudiated.

- *Third*, also in the scientific spirit, an alternative gold currency would allow for more than one experiment to be conducted—indeed, as many as fifty separate experiments in each of the several States would be possible. If any single experiment should fail, it would do so only locally, not nationally. If it succeeded,

it could be expanded quickly and easily enough elsewhere. And by the process of judicious trial and error, constant improvements on any initial success would be possible. Moreover, even if politically influential factions could succeed in stopping the adoption of an alternative currency in one State, they would be unlikely to have the political clout to suppress it in every other State as well. And if they did not stop it everywhere, the market would prove the theory somewhere, and then expand its application everywhere.

- *Fourth*, adoption of an alternative gold currency could be accomplished *incrementally and gradually*, allowing the market to set and equilibrate prices as more and more people employed the new currency in preference to Federal Reserve Notes. No sudden, economically disorienting jump from Federal Reserve Notes to gold would occur.
- *Fifth*, quite unlike the Federal Reserve System and its bills of credit, an alternative currency consisting of gold would be fully constitutional. The Supreme Court has already ruled that the States are *not* bound, and constitutionally *cannot* be bound, to use as their currency a currency emitted by Congress—in particular, that they may choose to employ gold and silver in preference to irredeemable paper currency, even when Congress has declared that paper currency to be “legal tender”.<sup>18</sup> Thus, the adoption of an alternative gold currency would return each State to the rule of constitutional law and federalism with respect to money.
- *Sixth*, introduction of an alternative gold currency would not depend upon a State’s having *any* gold in her Treasury at the beginning of the process. Indeed, adoption of such an alternative currency would bring gold into the State’s Treasury right away. Constitutionally, of course, the States cannot coin

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<sup>18</sup> Lane County v. Oregon, 74 U.S. (7 Wallace) 71 (1869); Hagar v. Reclamation District No. 108, 111 U.S. 701 (1884).

money.<sup>19</sup> Only Congress enjoys the governmental power “[t]o coin Money”.<sup>20</sup> But, inasmuch as an alternative gold currency could—and initially should—consist of bullion, not coin, no State would be dependent upon the assistance of Congress and the United States Treasury in the adoption of such a currency.

- *Seventh*, employment of an alternative gold currency would not involve a State in the rat’s nest of central economic planning. A State would not be required to attempt to regulate the supply of money against a so-called “price level”, to fix interest rates, or to engage in any of the other political-cum-economic manipulations characteristic of a central bank. Whatever amount of gold the people desired to use as their alternative currency would become currency; and the free market would then rationally establish and mutually adjust the prices *in gold* of all goods and services.
- *Eighth*, adoption of an alternative gold currency would not serve only one set of selfish special-interest groups at the expense of the rest of society. In particular, adoption of such a currency would facilitate the absolute separation of private banking from the government, on a State-by-State basis. No longer would bankers and their clients in “the financial community” enjoy the status of an economically and politically specially privileged class.
- *Ninth*, although it would bring about the politically radical end of separating private banks from the government—which “the financial community” would vehemently oppose—adoption of an alternative gold currency would not expose America to the economic equivalent of “mutual assured destruction”. At present, any attempt to reform the monetary and banking systems “from the top down” can likely be thwarted by the bankers’

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<sup>19</sup> U.S. Const. art. I, § 10, cl. 1.

<sup>20</sup> U.S. Const. art. I, § 8, cl. 5. Of course, private parties may coin nonfraudulent moneys from gold or silver, and employ those coins as media of exchange in the free market. But as the concern of this study is how to bring *the government* under control in the monetary domain, details of this matter will not be considered here.

threat to precipitate an economic collapse. “Yes”, the bankers warn, “you can destroy us. But, more importantly, we can destroy you. If we go down, we will take the economy with us. Without us, you will have no currency, no credit, and thereby no means of maintaining a high level of economic activity. So we have you by the throat. There is nothing you can do but to continue to allow us to loot society, and then to bail us out when our schemes threaten to implode or explode.” With an alternative gold currency, however, monetary reform would not come “from the top down”, by attempting to abolish the Federal Reserve System at one fell swoop and thereby throwing the economy into chaos. Rather, reform would come gradually and systematically “from the bottom up”, by introducing a sound currency into the free market on a State-by-State basis, in free competition with the Federal Reserve System. If the banking cartel and its clients should respond aggressively, they would merely hoist themselves on their own pétard, because in any State which had adopted an alternative currency the people would no longer be dependent upon the banks for currency. Whatever the bankers might then do in a destructive vein would only drive the market farther and faster in the direction of the alternative currency. Rather than mutually assured destruction, such actions would bring about the bankers’ assured destruction.

- Tenth, on the other hand, if adoption of an alternative currency on a State-by-State basis showed promise, with more and more people using that currency to the exclusion of Federal Reserve Notes in more and more transactions, the banks would be forced to compete. At least some of them might try to generate a new currency “redeemable” in, or “backed” by, gold. Exactly how they might do this, or even if they could do it, one cannot predict, because such a new bank currency would have to be as secure as the alternative currency, which would require that it not be based on fractional reserves. Yet, if even some of the banks could move in that direction, it would tend to stabilize their system, and perhaps allow for its orderly long-term transformation or liquidation, rather than sudden collapse.

To be sure, the adoption of an alternative gold currency would face political hurdles. For example, adoption of gold as currency at the State level will

be complicated by claims of the General Government to tax exchanges of gold for Federal Reserve Notes, and exchanges of gold for goods and services (which are now erroneously treated as “barter” transactions). In the midst of a nationwide economic breakdown, however, any State which adopted an alternative gold currency would be in an especially favorable bargaining position, and would probably be able to negotiate an accommodation with the United States Treasury.

Even if prudence did not prevail at the bargaining table, the State could sue the President of the United States, the Secretary of the Treasury, and the Board of Governors of the Federal Reserve System, *in the original jurisdiction of Supreme Court*,<sup>21</sup> for their failures to maintain all forms of United States currency at par—which now should be about \$42-2/9 per ounce of gold, not some \$1,300.00 or more.<sup>22</sup> With the publicity such a suit would receive in the context of the present economic crisis, the matter would become a political issue to end all political issues—in comparison to which President Andrew Jackson’s fight with the second Bank of the United States would appear to have been an exchange of pleasantries. Under such circumstances, would the Justices of the Supreme Court dare to rule that the States are not entitled to protect their own people from economic ruin caused by the incompetence or corruption of the politicians, bureaucrats, bankers, and financial manipulators in Washington, D.C., and New York City? **Would the Justices dare to deny the people the right to ward off these vampires with “a cross of gold”?**

And if the Justices did rule against the States’ attempts to bring about meaningful monetary reform, would not their obstructionism sweep away the very last shred of credibility in Washington, D.C.? In that event, would not the States and their citizens then put into action Nancy Reagan’s *dictum*—“Just say ‘No!’”—and simply refuse to comply with all demands from the General Government for payments of taxes that hindered the use of the alternative

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<sup>21</sup> See U.S. Const. art. III, § 2, cl. 2: “In all Cases \* \* \* in which a State shall be Party, the supreme Court shall have original Jurisdiction.”

<sup>22</sup> See 31 U.S.C. §§ 5119(a) and 5117(b).

currency—and then back up those refusals in the most effective manner?

Actually, for numerous reasons, the Justices might be expected to rule in favor of the States: *First*, (as explained above) they could simply fall back on judicial precedents favorable to the States. *Second*, they would surely recognize their own inability to correct the underlying problem in the course of overruling those precedents and deciding the cases against the States; whereas, in reliance on those precedents, the States could take actions that might have a favorable result. *Third*, the Justices would be inclined to view the entire matter as constituting a “political question” at the highest constitutional level—that is, between the States and their people, on the one side, and public officials in the General Government and their clients in special-interest groups, on the other side. Ruling for the States would allow the parties to the dispute to settle it by political means, which as a practical matter would provide the only method for resolution of the controversy. *Fourth*, the Justices would want to avoid the loss of credibility that the Judiciary would suffer amongst the vast mass of Americans if the courts ruled against the States. And *fifth*, they would fear the severe economic, political, and social consequences which would undoubtedly arise if they denied the States a free hand, the present monetary and banking systems irretrievably collapsed, and no alternative currency were then available for the people’s use.

So why are not more of the champions of sound money, limited government, and free markets actively promoting the adoption of an alternative gold currency?

The present economic crisis presents the best opportunity since 1932 for taking the steps necessary and sufficient to free the American people from their thrall to the Federal Reserve System and the vicious factions behind it. Under the pressure of this crisis, common people are finally awakening to their predicament, and sensing what needs to be done—because, as Samuel Johnson once observed, nothing focuses a man’s mind more sharply than his impending hanging. Moreover, this may be the last opportunity of its kind for a long time to come. For if “the financial community” can succeed in jury-rigging some

*supra-national* global currency and central bank, the Ponzi scheme of *fiat* currency can probably be kept inflated for another generation, until a final, utterly catastrophic breakdown sweeps across the entire world.

So, the American people must be convinced *now*—immediately, if not sooner—*ahora mismo*—that this country’s economy cannot be restored by mere repair or renovation of the existing edifice of money and banking, but only by its total replacement. The present structure is rotten to its very foundations, and even below. It lacks the capacity to survive—and can claim no right to be saved. A new structure must be built from the ground up, on a new site, according to a different plan, with better workmen. If this can be accomplished, then for the first time in generations Americans, indeed all of mankind, will enjoy honest weights and measures in the monetary field—and with that reform, will have a realistic hope to restore honest commerce and honest politics as well.

———— Finis ———