What the President Should Know about our Monetary System

By

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"Of all the contrivances for cheating the laboring classes of mankind, none has been more effective than that which deludes them with paper money." (Daniel Webster)

Definition of terms: *Fiat (arbitrary [paper]) money* is money that is created out of nothing by banks or central banks and without any work. Because of material misrepresentations and nondisclosure regarding our fiat “dollar,” it is *prima facie* fraudulent. *Commodity money* is a physical thing, such as gold or silver. It takes work to create it. There are compelling reasons why gold has been the preferred commodity money since antiquity. (See: “Whither Gold”)

Introduction: The monetary system of the United States is inherently a fraud upon people, both at home and abroad. Essentials of our money are being misrepresented, and crucial information is not being disclosed. The beneficiaries of the fraud are mostly those in the financial sector of the economy, very large corporations, and the politicians they finance. The victims are everybody else, but especially ordinary people who are dependent upon the integrity of our monetary system for their savings, their pensions, and their jobs. Already, fraudulent monetary systems modeled after our own have wiped out the savings, pensions, and jobs of hundreds of millions all over the world, including in Russia, the Philippines, Mexico, Brazil, South Korea, Malaysia, and many other countries.

How the fiat money fraud works: Recently there has been news about a massive insurance fraud by a Mr. Martin Frankel. Through an intermediary with whom he was associated, he acquired control of some small insurance companies and improperly transferred their assets to a company he ran that supposedly invested and managed those assets. However, rather than manage those assets, he stole them and used the proceeds for his own benefit.

The policyholders had no idea what had happened. They, along with the regulators, received statements from Mr. Frankel showing that the assets were intact. Because no money was due the policyholders until years to come, there was the illusion that everything was fine. Of course, had the fraud continued, the policyholders would have come to realize at some point that there was nothing of substance backing up their statements.

The fiat money fraud operates in a similar fashion. In a prosperous society, people save considerable amounts for future needs, believing that they are providing for their retirement. They don't realize until years later, when they attempt to exchange their "savings" for real wealth (shelter, automobiles, food, clothing, etc.), that it takes many more "dollars" to pay for these things than the savers could possibly have anticipated at the start. They find that their money, as the saying goes, has "melted." A mysterious villain called "inflation" is cited as the cause of the loss of purchasing power.

In fact, while people are saving potential *claims* on wealth, those who receive the interest and transaction fees for creating fiat "dollars" are spending them and *consuming* the real wealth those claims represent.

It takes work to create wealth. "Dollars" are created without any work—how much more work is involved in printing a $100 bill as compared to a $1 bill? Not only are ordinary people at home being deceived, but foreigners who accept and save our "dollars" in exchange for their goods and services are also being cheated.

"I'm only playing by the rules": A few years ago Mr. Joe Jett, an alleged "rogue" trader for Kidder Peabody, then a major brokerage firm owned by General Electric, somehow produced a profit for Kidder of approximately $350 million trading U.S. Government securities. Normally this kind of trading produces much smaller profits for those who engage in it. At the time, Kidder and General Electric proclaimed Mr. Jett a hero. He received a multimillion bonus, his boss received a multimillion-dollar bonus as did his boss' boss. All were ecstatic! Then, it turned out that Mr. Jett had exploited a glitch in Kidder's accounting system and there was no $350 million profit. In fact, there was a loss!

What did Kidder do? Kidder came down on Mr. Jett like a ton of bricks. The firm fired him, defamed him in the press as a cheat, froze his assets, and did all it could to brand him a criminal short of having him arrested. And what was Mr. Jett's reaction? He said that he was just playing by the rules. Further, he pointed out that his bosses knew, or should have known, exactly what he was doing. Besides, they got multimillion-dollar bonuses too—and they didn't have to give them back.

Mr. Martin Mayer, a Resident Scholar at the Brookings Institute has a very clever metaphor to explain Mr. Jett's alleged fraud: One day your eight-year-old kid comes home and says "Mommy, daddy, I just made $1 million at the lemonade stand this afternoon." And what do you say? Well, if you're Joe Jett's boss you say: "Well, that's great, sweetheart. Let's go spend the money." But, if you're any normal parent, you say: "How did you do that?"

Some may recall a few years back when George Soros beat the Bank of England for more than $1 *billion.* In his latest book, he wrote: "I was taking money out of the pockets of British taxpayers." The obvious question is: "What did British taxpayers get in return?"

Did Mr. Soros invent anything, like a cure to some dread disease? Did he produce a product or service that improved the lives of anyone? No. And when challenged about this massive wealth transfer from ordinary working people to himself, what did Mr. Soros say? He said the same thing Joe Jett said. He said: "I'm just playing by the rules." Well, there's something wrong with rules that enable such a massive transfer of unearned wealth.

The role of misrepresentation and nondisclosure, a.k.a. fraud: In order to achieve more certainty in personal relationships, people enter into agreements, i.e., contracts, which are governed by an area of law called “contract law.” The concept is that the courts will uphold legal contracts not fraudulently entered into by consenting adults. This is commonly referred to as the “Rule of Law.” A vital subset of contract law deals with promises to pay. In their most elemental form, contracts to pay are called “promissory notes.”

For a promissory note to be legally valid, it must have these four elements:

1. A “maker,” i.e., a person or entity that will make payment;

2. A payee, i.e., a person or entity that will receive payment;
3. An amount to be paid; and,
4. A date certain when payment is due.

If any of these four elements is missing, then the promissory note is deemed to be defective under the law and cannot be enforced.[1]

When the Federal Reserve legislation was passed in 1913, the Federal Reserve was empowered to issue Federal Reserve Notes that were, in fact, promissory notes.[2] The maker was the Federal Reserve. The payee was the “Bearer.” The amount of the note was the face amount. And the due date was “On Demand.” See *Figure 1* below for an example of what the Federal Reserve Notes used to look like.

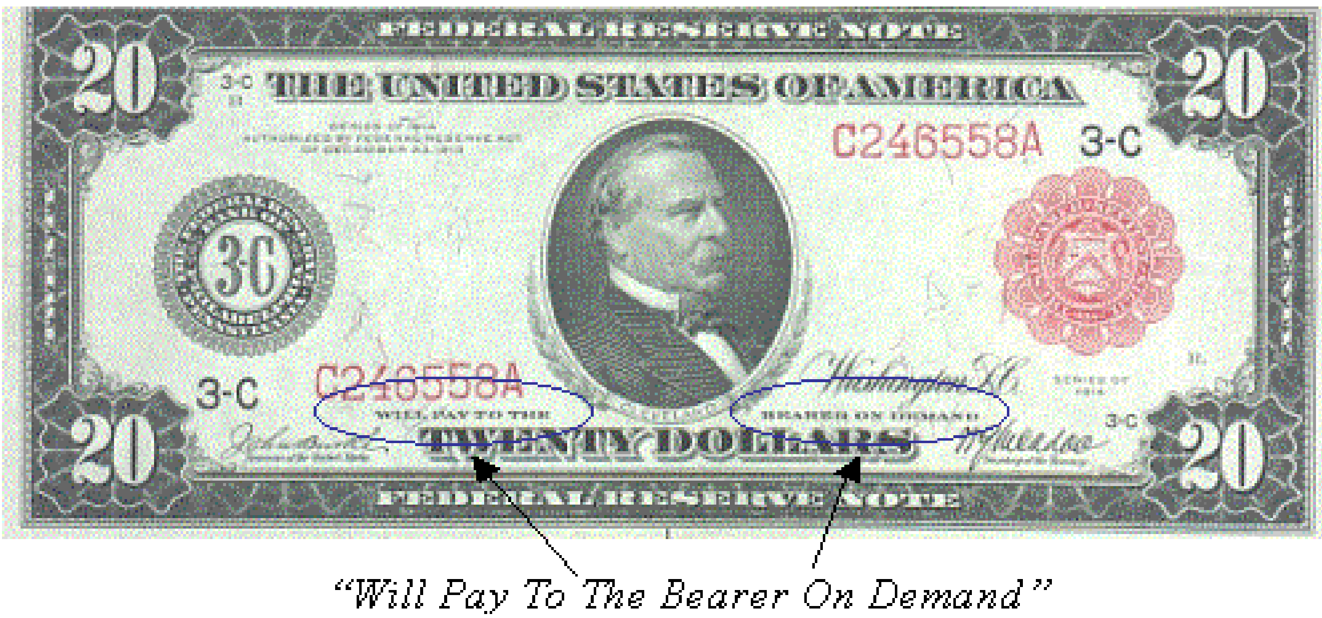

Figure 1: Federal Reserve Note from 1914

In 1963, Federal Reserve notes, as shown in *Figure 2* below, began omitting the due date and the payee. Yet, these pieces of paper continue to be called “Federal Reserve Notes.”

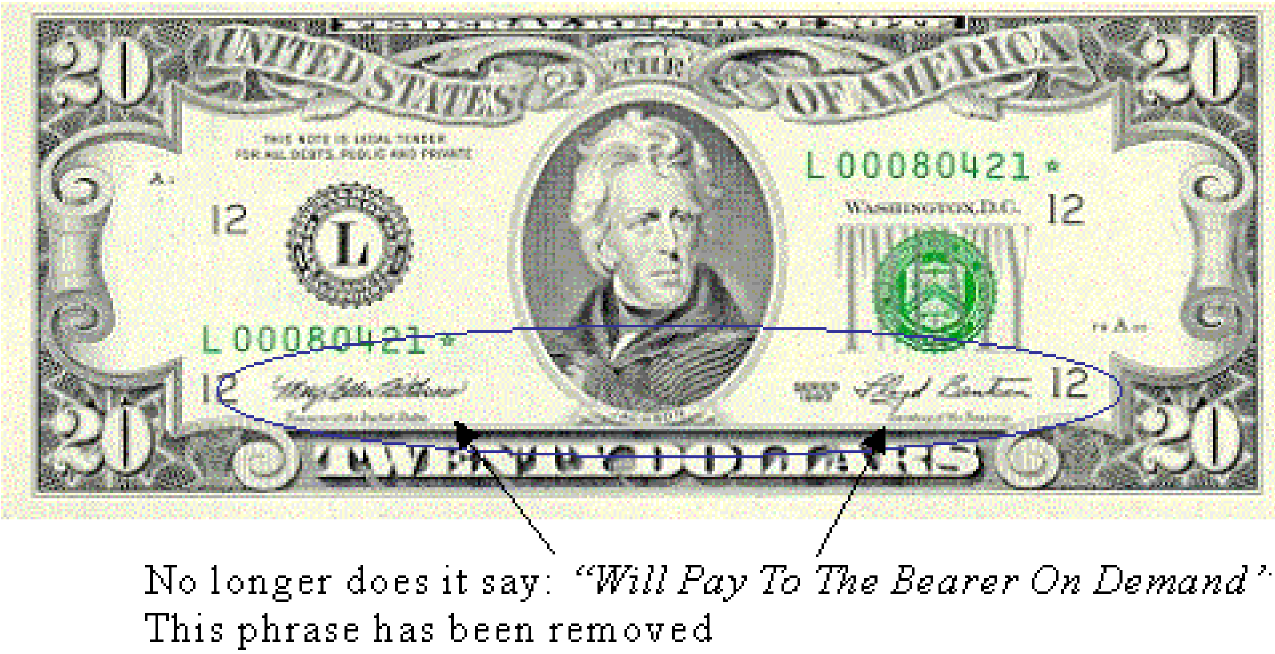

Figure 2. Federal Reserve Note from 1993

The omission of a payee and a due date while continuing to call these pieces of paper "notes" is a material misrepresentation and constitutes fraud.

Fraud: (1) DECEIT, TRICKERY: a: intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right; b: an act of deceiving or misrepresenting. (2) TRICK a: one who is not what he pretends to be; CHEAT b: one that is not what it seems or is represented to be. [*Webster's Ninth New Collegiate Dictionary***, P490]**

The new Federal Reserve "Notes" are *not* valid notes. Just as if one takes a sign that says "dog" and hangs it on a cat, the cat does not become a dog. Similarly, if one identifies a piece of paper as a “note” which lacks the legal requirements for being a note, it does not become a note. So, if “Federal Reserve Notes” are not notes, what are they?

In truth, they are just pieces of paper with ink on them. They are paper tickets or, better, they are tokens. One might argue, “What does it matter? People accept these tokens as payment for their goods and services and exchange them for the things they need: food, shelter, clothing, etc. What is the difference whether these pieces of paper are called ‘notes’ or ‘tokens?’” The answer is: who in their right mind would knowingly save *tokens* for their retirement or accept the promise of tokens for their pensions? Not many, in my view. In this way, ordinary people are being deceived about the nature of their money. This deception is especially relevant for foreigners who save our fiat money.

Perhaps more important are other misrepresentations having to do with the basic banking relationship, which is at the root of why the world is swimming in fraudulent fiat money. In the last century, when money was gold (or silver), banks misrepresented the basic banking relationship to their customers in two ways. First, they told people that they could get “their” gold back “on demand.” This was a false statement. What they should have said was that customers could get their gold back on demand *provided* not too many of them sought to do so at the same time. Further, banks failed to disclose to depositors that the banks might lose the gold or have it tied up in “investments” that could not be liquidated in a timely manner without risk of great loss. In other words, the “on demand” assurance was really conditional, and this was misrepresented. In addition, banks never disclosed either the nature of the risks they took or the amounts of leverage they employed.

Second, banks used inadequate terminology to describe the transaction when people put gold in a bank. Banks called it a “deposit,” which misled people into thinking that the gold remained “theirs.” It did not remain theirs. The Courts had held for almost 200 years that gold deposited into a bank became the *bank’s* gold to do with as the bank wished. Banks could lend that gold to someone else—generally they lent bank notes which bore the legend “payable to the bearer on demand in gold”—they could gamble with the gold, purchase stocks or real estate, or whatever.

In fact, when one “deposited” gold in a bank, or when banks *created* money by extending a loan,[3] the gold—or the newly created loan—went onto the bank’s balance sheet as a liability. The customer, rather than remaining the “owner” of “his” gold became an *unsecured* creditor of the bank. Historically, ordinary people did not understand this. Were it not for these two misrepresentations and the undisclosed risks, people would have been much more wary of banks, and there would have been much greater oversight of bank activities by those who entrusted them with “their” gold.

The harmful effects of these misrepresentations and the absence of risk disclosure resulted in people not knowing enough to exert market discipline on banks. As a result, banks were able to engage in more leverage and more risky behavior than they would have been able to had there been full disclosure and no misrepresentations. As Mr. Patrick Parkinson recently testified before the Congress:

> “If market discipline is to be effective, counterparties of a firm must obtain sufficient information to make reliable assessments of its risk profile, both at the inception of the credit relationship and throughout its duration. Furthermore, they must have in place mechanisms that place limits on the credit risk exposures that become more stringent as the firm’s riskiness increases and its creditworthiness declines.” [4]

The increased leverage and risky behavior of banks, which would not have been possible without the misrepresentations and nondisclosure, resulted in innumerable “bank panics” and booms and busts throughout the Nineteenth Century, and culminated in a huge banking panic in 1907. None other than JP Morgan ameliorated the 1907 banking panic by lending gold to banks that had mismatched their assets and their liabilities (i.e., they borrowed short-term and lent long-term) and which, in the short run, could not meet their obligations to depositors. To paraphrase a concern at the time, “What if he [Morgan] dies?” Thus, the panic of 1907 became the rationale for the creation of the Federal

Reserve and its lender-of-last-resort bailout facility.

With a “lender of last resort” facility in place, banks were able to engage in even more leverage and take even greater risks than when their own capital was on the line. This is known as “moral hazard,” the idea that the party taking the risks gets the rewards if things work out, but someone else pays if they do not. But, as George Soros has brilliantly pointed out, gold-as-money and a lender of last resort are incompatible.[5] This is why governments abandoned honest monetary weights and measures—so that their banking systems can be bailed out when their over-leveraging and risky bets go against the banks. It is the increased leverage and risky “investments”—again, made possible by misrepresentation and nondisclosure—that make financial markets, as opposed to every other kind of market, “inherently unstable,” as Soros put it.

This artificial instability has caused governments all over the world to pass special laws that act to transfer wealth from ordinary people to their banking systems. For example, there are laws in the U.S. that subsidize/guarantee the banking system’s entire balance sheet. The lender-of-last-resort bailout facility at the Federal Reserve guarantees the banks’ assets, and the Federal Deposit Insurance Corporation guarantees their liabilities. No other segment of society enjoys these special privileges or guarantees.

Special legislation has for 85 years empowered the top management from some of the largest banks that are putatively regulated by the Federal Reserve to meet in secret with the Board of Governors of the Federal Reserve to air their concerns and give advice to the Board. No other regulated industry gets to meet—in secret and without any oversight—with those charged with regulating them. Banks alone have been empowered to value a significant portion of their “investments” at what they originally paid for them rather than at market value. This, again, leads to nondisclosure, the underassessment of risk and monetary instability.

In the private sector, when one sells securities—and in some states, such as California, when one sells real property—one must do what is known as “full and honest disclosure of all material facts.” In the case of securities, it is a criminal offense to violate this rule. If there were full disclosure about our fiat "dollars", what elements would need to be included? At a minimum, the disclosure statement *on each bill* would have to state:

- "Dollars" are not redeemable into anything;
- "Dollars" have value because people believe that other people, both at home and abroad, will continue to accept them for their goods and services;
- In the U.S., people are forced by law to accept "dollars" for all debts public and private;
- "Dollars" are created out of nothing by the U.S. banking system—mostly by commercial banks;
- If, in the judgment of the Federal Reserve, there needs to be additional "liquidity" in the system, then the Federal Reserve may create additional "dollars" in unlimited quantities. Generation of additional "dollars" will dilute the purchasing power of "dollars" that have been saved or promised for future payment, such as pensions;
- Creation of new "dollars" out of thin air has depreciated "dollar" purchasing power by more than 90% since 1950;
- "Dollars" are in no way obligations of the U.S. Government (the signatures of the Secretary of the Treasury and the Treasurer are gratuitous);
- "Dollars" are tokens, i.e., a paper tickets;
- In 1950, there were about $150 billion in the U.S. At the end of 1998, the banking system had created an additional $6 *trillion.* Of that amount, about $450 billion were created by the Federal Reserve, and the balance, about $5.5 trillion, was created by a small group of privately-owned companies called commercial banks; and,
- The U.S. Government has extended about $7 trillion in guarantees, mostly to Government Sponsored Entities. Should those guarantees be called, then there is risk that a significant amount of additional "dollars" will have to be created, thereby diluting the purchasing power of "dollars" that have been saved or promised for future payment, such as pensions.

Without the misrepresentation just described and with full disclosure about the nature of our money, it may very well be that some U.S. citizens might continue to use and save fiat "dollars," although it is doubtful to me. But surely foreigners, who cannot be compelled by U.S. legal tender laws to accept our fiat "dollar," would not save it, nor securities denominated in it, as they have been doing—to the tune of approximately $2 trillion. This non-disclosure of material facts contributes to the fiat money fraud.

The role of coercion: All over the world, fiat money has been legislated legal tender. In the last century, legal tender laws were called “forced tender” laws. Our *Constitution* does not empower the government to issue legal-tender fiat currency. Somehow, the Congress has delegated to the banking system a power that the Congress itself does not have. So far, the courts have declined to entertain a challenge to this clear usurping of our *Constitution*. For ordinary people, the obvious question is:

> If our fiat "dollar" is good money, and people really prefer it, then why are Legal Tender Laws necessary?

The result, according to the well-known Gresham's Law,[6] is that gold-as-money has stopped circulating and has been forced into hiding, thereby enabling fiat money to circulate—to the jeopardy of those who save it or who depend on it for future payment. Most do not realize that Gresham’s Law operates *only when the bad money has been designated legal tender*. In the absence of this coercion, especially for long-term transactions, people would be more inclined to contract in terms of gold, as they did a century ago. The public policy issue is:

> Why should people be forced to accept what would otherwise be perceived as bogus money for their goods and services?

As a corollary:

> Why should they be forced to have their savings and pensions denominated in money that would, in the absence of coercion, be perceived as bogus?

The role of intellectuals and academics: Intellectuals legitimatize ideas. Another factor in the success of the fiat “dollar” and the demise of honest monetary weights and measures is that the Federal Reserve has compromised the academic community. For example, in 1994, Mr. Stephen Davies wrote an article citing evidence collected by then Chairman of the House Banking Committee Henry Gonzalez showing that the Fed has spent millions hiring economic faculty members as "consultants." The article quotes Mr. Gonzalez:

> "The Federal Reserve employs hundreds of researchers in their [sic] research departments, but inexplicably also spends millions to pay hundreds of outside economic consultants. . . *The Fed is simply buying off potential critics by holding out contracts that offer academics extra money* and use of the Fed's facilities. No agency that has to justify its spending would dream of this kind of extravagance and waste." [Emphasis added.]

More telling, the article continues:

> "Moreover, the *Bond Buyer* has learned that in the case of the Federal Reserve Board, all contractors are required to sign a non-disclosure statement... broadly worded to *prohibit the release of any information relating to past, present or future activities that can be considered damaging to the Board."*[7] [Emphasis added]

Banks have been buying off intellectuals for more than 90 years. As Professor Murray Rothbard wrote about some of the steps leading to the formation of central banking in the U.S. at the beginning of this century:

> "The big bankers realized that one of the first steps in the march to a central bank was to win support of the nation's economists, academics, and financial experts. Fortunately for the reformers, two useful organizations for the mobilization of academics were near at hand: the American Academy of Political and Social Science of Philadelphia, and the Academy of Political Science of Columbia University, both of which comprised leading corporate liberal businessmen, financiers, and corporate attorneys, as well as academics."
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> ". . . During the same spring of 1910, the National Monetary Commission's numerous research volumes on various aspects of banking poured forth onto the market. The object was to swamp public opinion with a parade of impressive analytic and historical scholarship, all allegedly “scientific” and “value-free,” but all designed to further the agenda of a central bank."
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> ". . . The then [circa 1910] impressive sum of $50,000 was raised throughout

> the nation's banking and corporate community to finance the work of the Indianapolis Monetary Commission. New York City's large quota was raised by Morgan bankers Peabody and Orr, and a large contribution came from none other than J.P. Morgan himself."[8]

This campaign has been ongoing. The result is that more than three generations of Americans have been "dumbed down" on the money issue.

Why we are in Danger from our Fraudulent Fiat Monetary System: The problem with fiat money, the kind we have now, is that the temptation for its creators—bankers, central bankers and/or politicians—to manipulate it for their own benefit, fraudulently transferring the wealth of society to themselves by employing coercion, misrepresentation and nondisclosure—has been so overwhelming that they have never been able to resist that temptation.

The essence of any fiat monetary system is that it enables fraudulent wealth-transfer from those who produce wealth—mostly working people—to those who churn out and have easy access to fiat money—mostly bankers, who get “interest” and fees for generating it, Wall Street firms who garner transaction fees for moving it around, and large credit-worthy borrowers. In all cases, the wealth transfer becomes so great that the purchasing power of the fiat money is driven to its cost of production, which is near zero.

Fiat money is not wealth; it is merely a potential *claim* on wealth. As people realize that the real wealth on which the fiat money has a potential claim does not exist, the fiat money is said to “melt.” When fiat money melts, interest rates increase, the purchasing power of savings, pensions, and all forms of future payments denominated in the fiat money are greatly reduced, and people lose their jobs—all through no fault of their own. The suffering of ordinary people becomes palpable.

As a result, government, upon which people rely to “regulate” the generation of the fiat money, is discredited, and most times people change their form of government. That is, politicians are generally relied upon to look over the shoulders of the bankers and the central bank so that they don’t generate fiat money “in excess.” Not only is our current form of government at risk, but the economic/social system is at risk as well. For example, as a consequence of the Great Depression, which resulted from the same kinds of misrepresentations and nondisclosure as are present today, *laissez-faire* was permanently discredited.

> "Classical economics taught that free markets would always seek and find a natural equilibrium, a self-correcting capacity that revived production and employment, once prices and wages fell low enough. In the Great Depression, the American economy did not revive. Neither did the rest of the world's economy revive. Year after year, as the social misery deepened and massive unemployment stretched on for more than a decade, the popular faith in free markets was shattered. . . The New Deal advanced a new creed: an activist national government must intervene to overcome the shortcomings and weaknesses of private enterprise. This new idea—government's obligation to manage the economy—was legitimized by the national trauma of Depression, embraced both in public opinion and in scholarly theory." [9]

Mass suffering and hardship do not generally result in freer societies. Society becomes vulnerable to social unrest and tyranny. All over the world, fiat currencies are evaporating—in South Korea, Russia, Brazil, Mexico Indonesia, Malaysia, the Philippines, and elsewhere. Loss of jobs, loss of savings, and rioting are symptomatic of the consequences. In every case, however, the role of fiat money has been camouflaged and scapegoats have been blamed, e.g., "crony capitalism" in East Asia, currency speculators in Indonesia, and "the Jews" in Malaysia.[10]

Before a discontinuity occurs, however, other symptoms of fiat-money fraud appear. In most cases, governments grow large, real wages decrease, debt levels grow, the standard of living of working people stagnates or degrades, and the financial sector and large corporations prosper inordinately. People get the feeling that the rich are getting richer and that the middle class is working harder than ever. As people begin to realize that the fiat money is melting, interest rates—as noted above—begin to increase. This has the effect of shortening the investment-time-horizon and causing a shift from manufacturing—which by its nature generally requires a longer investment-time-horizon—to services that do not require as much long-term investment. As a result, higher-paying manufacturing jobs are lost to lower-paying service jobs.

Also, fiat currencies do not always lose purchasing power slowly. When it becomes apparent that fiat money is in trouble, the decline in purchasing power can be very swift. This causes interest rates to rise quickly. Commercial relationships that were predicated upon lower interest rates collapse. Promises of future payment, such as pensions, are broken, and the economy implodes. This is what recently occurred in Indonesia and in Russia.

In the U.S., the massive creation of nearly $6 trillion in new "dollars" has already depreciated the purchasing power of our fiat "dollar" by more than ninety percent since 1950. Why does anyone think that the last ten percent is sacrosanct? Do those who understand the perils and the inherent fraud of fiat money have a moral obligation to do something about it?

Collusion with politicians and corruption of the political process: A key factor in the ascendancy of our fiat "dollar" and the demise of honest monetary weights and measures has been the collusion between banks and politicians—called “campaign financing.” It is no coincidence that banks engage in extensive lobbying.

> "Since last year, when the latest reform bill started moving through the House, the coffers of Democratic and Republican lawmakers and their national committees have been enriched by $7.4 million from securities firms, $6.8 million from insurers and $5.5 million from banks." [11]

This example of nearly $20 million in “donations” associated with just one particular piece of legislation is small change compared to what is “contributed” to political campaigns overall. In the last general election, at the national level only, politicians collected $2.4 *billion*. This figure comes from the Center for Responsive Politics (website www.crp.org), which tabulated it from data submitted to the Federal Election Commission. As Senator Russell Long is reported to have observed, “when it comes to large campaign contributions, the difference between them and bribes is as thin as a hair.”

The bulk of campaign finance money comes from large contributors, which mostly comprise the financial sector, large companies, and persons for whom banks create most of the new “dollars.” It is instructive to note that in 1998 alone banks in the U.S. created roughly $600 billion in new “dollars.” Most of these “dollars” are generated as a result of credit creation on behalf of large credit-worthy borrowers, such as multinational corporations. Since the banking system (which creates “dollars” without work), Wall Street firms (which garner transaction fees for moving these new “dollars” around), and large corporations have easy access to “dollars” created out of nothing while ordinary people have to work for their “dollars,” those first in line have a decided advantage when it comes to buying off politicians.

As for the politicians, they are in a tight spot. As a practical matter, they must have the campaign contributions to purchase television time to air their reelection commercials. If they don’t do that, they will not be reelected. In this way, the fiat “dollar” has contributed to the corruption of our entire political process to the point where today it is doubtful that we have representative government.

Honest monetary weights and measures (gold-as-money) has always been the choice of ordinary people: Honest monetary weights and measures—gold-as-money—has competition: fiat money. The creators of fiat money, banks and central banks, despite their vastly inferior product, have succeeded because of coercion, misrepresentation, and nondisclosure—and also in part because proponents of honest monetary weights and measures have left the playing field. For example, Labor, which for most of the Nineteenth Century was a strong proponent of hard money (silver- or gold-as-money), was so decimated in the 1930’s by the Great Depression that it failed to grasp the import of the shift away from honest monetary weights and measures.

It is significant that, historically, gold did not become money because some potentate or government designated it so. Gold (and silver) have been the choice of the people in open markets from antiquity.[12] Furthermore, *every time* Americans have had the opportunity, they have always chosen gold- and/or silver-as-money:[13]

- At the time of the American Revolution, Americans were repulsed by their experience with the fiat money of the day: continentals. There was even a derogatory saying "not worth a continental." As a result, the *Constitution* provided for gold- and/or silver-as-money; [14]
- When Andrew Jackson ran for President in 1832, he opposed paper money and the Bank of the United States. His rallying cry was "Gold is the friend of the farmer" [and the worker]—and Jackson won!;
- When President Grant signed the Resumption Legislation in 1874, doing away with the Civil War Greenbacks and resuming gold-as-money, he said he did it because it was "the right thing to do";[15]
- When McKinley (pro-gold) ran against Bryan (pro-silver) in 1896, gold won again!

And, when President Roosevelt seized the nation's (and the citizens') gold in 1933, he reassured the country that our money would not be fiat money.

> "Remember that the essential accomplishment of the new legislation is that it makes it possible for banks more readily to convert their assets into cash than was the case before. More liberal provision has been made for banks to borrow on these assets at the Reserve Banks and more liberal provision has also been made for issuing currency on the security of those good assets. *This currency is not fiat currency.* It is issued only on adequate security — and every good bank has an abundance of such security." [Emphasis added.][16]

I think it is fair to conclude that the monetary system we have now was *not* the choice of the people. With today's monetary coercion, misrepresentation and nondisclosure sufficiently exposed, Americans will again choose honest monetary weights and measures as the only genuine protector of their savings and a more efficient medium of exchange.

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Join the Fight for Honest Monetary Weights and Measures

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[1] For a more comprehensive explanation of the misrepresentation of the legal validity of our money, see: Ewart, James E. – *Money*, Principia Publishing, Inc., 1999, Seattle, WA p27ff

[2] That legislation, U.S. Code Title 12 Sections 411-421, and the relevant portions that remain law, provide that the Federal Reserve Notes be exchangeable for "lawful money." This means that the Federal Reserve Notes cannot themselves be lawful money. (For full text of the legislation, see: www.law.cornell.edu/uscode/12/ch3.html)

[3] The process by which banks created money when they extended loans is called "fractional reserve lending." In effect, they issued bank notes that bore the legend "payable to the bearer on demand in gold," when they did not, in fact, have enough gold to redeem all of the bank notes they issued.

[4] Statement of Patrick M. Parkinson, Associate Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System before the Committee on Banking and Financial Services, U.S. House of Representatives, May 6, 1999.

[5] See: Soros, George; *Soros on Soros*, John Wiley & Sons, 1995, p101

[6] Sir Thomas Gresham is said to have originated the notion that when bad money is designated "legal tender," i.e., when people are forced to accept it in exchange for their goods and services, "bad money drives out good." At the end of the 19th Century, this maxim became known as Gresham's Law.

[7] Davies, Stephen A.; "Some Lawmakers Claim Fed Keeps Critics at Bay With Jobs", *The American Banker*Bond Buyer*, December 2, 1994 page 3.

[8] Rothbard, Murray N.; *The Case Against the Fed*; Ludwig Von Mises Institute, 1994, p97ff.

[9] Greider, William, *Secrets of the Temple*, Simon & Schuster, 1987, p89.

[10] See: "Leader besmirches Jews: Malaysian prime minister ruffles feathers" – *Washington Jewish Week*, 10/16/97

[11] Schroeder, Michael, "Law That Separates Banks, Brokers Always Seems to Find Patron in Time," *The Wall Street Journal*, April 10, 1998.

[12] For a compelling analysis of why people choose gold-as-money see: Fekete, Antal E.; "Whither Gold"; available on FAME's Internet Website www.fame.org. "Whither Gold" was the winner of the International Currency Prize in 1996, sponsored by Bank Lips Ltd., Zurich, Switzerland.

[13] The "money issue" dominated 19th Century politics in the U.S. It was continually discussed in newspapers and elsewhere. Major political battles were fought over it from the time of the Revolution until World War I.

[14] For an exhaustive review of the constitutional issues relating to gold see: Vieira, Edwin Jr.: *Pieces of Eight: The Monetary Powers And Disabilities Of The U.S. Constitution*; Sound Dollar Committee - 1983 and also "The Forgotten Role of the Constitution in Monetary Law" - *The Texas Review of Law & Politics*, Vol. 2, No.1, Fall 1997, p77-128. Full text may be found on FAME's Internet website www.fame.org.

[15] See: Unger, Irwin; *The Greenback Era,* Princeton University Press, 1961.

[16] March 12, 1933. Address of President Roosevelt by radio, delivered from the President's Study in the White House at 10 P.M.

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Dig A Little Deeper

Money

Made of Metal & Promises

Money is one of the greatest inventions of all time. Almost everything can be, and has been, used as money. Without it, modern societies would be impossible. As currency (a convenient medium of exchange), money allows us to trade something we have for something we need. Most currency is made of different metals, special paper, and inks.

Until 1964, Quarters were 90% silver and 10% copper. Today, they are made of copper and nickel.

Until World War I, most currency was made of or could be exchanged for gold, silver, or other valuable metals. Today, the value of most currency is supported by a promise from the government who issued it.

Gold was eliminated from common coinage in the U.S. in 1933; **silver** vanished in 1965, although the 50 cent piece contained some silver until 1971.

For information about minerals in society, go to:
Mineral Information Institute, www.mii.org

Science: Discover the raw materials used to make U.S. currency.
Reading: *How much Is A Million?* **Writing:** If I won the lottery.

Geography/Math: Worldwide currency—compare value, name, appearance, etc. Convert, graph different currencies. Where & How is money made?

Social Studies: History of money. Coin collecting, hobby or speaker.
Money Unit: Coins and bills of the U.S., and their values.