

An Idiot's Handbook to Monetary Reform

Are You an Idiot?

The historical origin of the word “idiot” might be instructive as a way of introducing our topic. Its original meaning is very different from the one understood in ordinary conversation.

Today, an idiot is simply a stupid person. Just a century ago, it had a specific legal definition of a mentally incompetent person. But the origin of the word comes from ancient Greece and means something else.

“Idiot” is a word that comes from the ancient Greek word “idios” which means “a person with no civic responsibility.” Anyone who could not vote in the public assembly was considered an “idiot.” Thus, slaves, foreigners, women, children and others judged incompetent – these people were “idiots.”

While today we might limit that meaning to anyone judged mentally deficient, in ancient times, a very smart person still might have been an idiot.

With this understanding, how are we to judge our fellow-citizens who do not inform themselves of civic matters and participate in public decisions? What kind of person has the right to vote, yet never votes? The Greeks would have called him an “idiot.” Are you an idiot? I hope not, but even if you are, I hope that this treatise will help you overcome your self-imposed handicap.

Bankers are Businessmen

Monetary reform is about money and banking. It might be a good idea to

understand what it is that bankers do. The first thing we need to know is that bankers are not benefactors. Bankers are not public servants, they are businessmen. They are officers in a corporate structure that exists for the benefit of their stockholders.

When a banker profiles a borrower, he may share some empathy for him as a human being. The borrower might be looking for a benefactor willing to help him through a hard spot, or he might be a businessman looking to expand production, hire more people, and make bigger profits for his own good and for the good of the community.

The banker, however, must put the interests of the stockholders ahead of all other interests. They own the bank, and to them, he is an expendable employee. Should he fail to make them profits, he will be fired and replaced by someone more competent.

When you look at the smiling faces at your local bank, you must always remember this.

The Federal Reserve Banking System is not a government agency. Most people do not know this. They think the Federal Reserve is like the Department of Human Services or the Defense Department - federal agencies that are answerable to the President and ultimately to Congress.

The Federal Reserve Banking System is a consortium of banks – initially twelve big banks – that have been given the power to create the nation's currency. We have since learned that this was a huge mistake. A collective power that ought to exist for the public good was given over to the control of a private industry. These banks are corporations and they have stockholders. It

would be like a consortium of oil companies given the control of the nation's entire energy sector through the Department of Energy. It's even worse than that, because the Department of Energy is at least under the direct supervision of the President and Congress. The Federal Reserve Banks are not.

There is a lot of mythology surrounding the stockholders of banks - and fears of deep, dark conspiracies. However, your grandma may be a stockholder in a commercial bank and her commercial bank may be a stockholder in the Federal Reserve "System." I doubt that you think she is conniving to conquer the world. It is really immaterial to our discussion who the stockholders might be. For the most part, these people are not malevolent beings; they are simply human beings out to make a profit and live the good life.

All that we really need to know is that, unlike government agencies, the Federal Reserve Banks do not exist for the "public good" and there is no process by which the people of the United States can compel these banks to operate for the public good. They exist for the benefit of their stockholders in the industry and should the public interest conflict with the private interests of these stockholders, the officers of these banks must choose what is best for them and not the general public.

The Chairman of the Federal Reserve and various Regional Governors are appointed by the President and approved by the Senate. They are public relations agents. That is their job. Theoretically, they have the power to run this cartel, but in practice, they really don't. They take the credit for when things are going good, and they take the blame for when things are going bad. They are like the CEO's for the Federal Reserve Banks and for their stockholders: their power is administrative, not discretionary. The Federal Reserve

Chairman gives speeches to Congress as a courtesy. Congress has no real supervisory authority. Investors hang on his every word, but his every word descends from on high from the powerful stockholders of the respective member banks. . .

The Money Factory

Most people don't know where money comes from, which is kind of odd, because they create it all the time.

Money is simply a "negotiable instrument," something you trade for something you want.

Checks are negotiable instruments. They are a promise of valuable consideration - "cash" - on deposit somewhere. They are a claim against an asset - your checking account. When you use the check or the debit card, it works like money.

When you use a credit card, you create money. Most people mistakenly believe that a bank or credit card company actually lends you money into an account and you draw on it every time you buy something.

That's actually not what happens. What happens is that little paper you signed for the merchant becomes a negotiable instrument. It becomes money. The merchant takes it and deposits it into a special merchant's bank account. That's all there is to it. Of course, the respective banks involved clear the accounts, just like they do checks. But they were not the ones who created the money. You were.

Do banks create money? Sure they do. Just like people and businesses, they create negotiable instruments.

So what are loans? Most people think they "borrow" money from the bank when

they get a loan. Usually, that's not the case. What really happens is that the borrower puts up collateral – an asset that is lienable – and the bank assesses a value to that consideration. It then makes a ledger entry on your bank account. The bank does not produce anything of value. It simply lets you monetize your asset.

In most cases, it is not even your asset. You buy a new car with a “loan” from the bank. The car title has the bank's lien against it. You get to drive the car and make payments. The car is the valuable consideration.

Where does the bank get the authority to do this? It has been given sovereignty.

“Money is the imprimatur of sovereignty.” Memorize that statement, because everything about your freedom as an American depends upon it.

The word “sovereignty” comes from the word “sovereign” and refers to a king. The Founding Fathers refrained from using that term in the Constitution, because we are a republic, not a monarchy . . .

The issuing of legal tender or money is an essential feature of sovereignty. It grows from the right of a ruler to tax his subjects. A ruler issues the currency to the people from which they pay their taxes. In fact, taxes can be said to be the rent for using a medium of exchange. Rulers might say that they need the taxes for their armies, but the purpose of armies is to protect an economy – and the economy consists in the monetary exchanges which occur at the marketplace.

“As a matter of institutional history, the central bank was descended from kings, the inheritor of the monarch's authority, and the proximate model was the Bank of England, chartered in

1694. In the United States, however, the people themselves were supposed to be the sovereign.”

- William Greider, *Secrets of the Temple: How the Federal Reserve Runs the Country*, (Simon & Schuster, 1987, p. 255-256)

England never gave up its quest to regain her American colonies. The first and essential step of reviving the monarchy was to revive feudal institutions through control of America's monetary system.

Three Kinds of Money

There are three kinds of money: commodity money, fiduciary money, and fiat money.

Commodity money is simply something of value I use in an economic exchange. I may agree with you to exchange a goat for your bicycle. We make the exchange; we exchanged commodities – real wealth.

It is quite cumbersome to make barter exchanges all the time; so mankind has devised a system whereby a “medium” of exchange will take the place of direct barter transactions. Sometimes, it has been salt; sometimes, corn whiskey or another commodity, but most of the time, gold and silver have been used for money – *and always*, it has been something that the parties owned. Without the right to property, the notion of money is meaningless. When we say “commodity money,” we are referring to the use of privately originated gold and silver as a medium of exchange. The Constitution of the United States requires that the states use gold and silver as legal tender (Art. I, Sec. 10).

Fiduciary money is another kind of money. It is a piece of paper that is a “promise to pay” gold and silver coin. It is no different than a warehouse receipt. I harvest my wheat and take it to the grain elevator. The owner of the grain elevator issues me a warehouse receipt. I can give that warehouse receipt to whomever I please and that person can go down to the elevator and collect his wheat.

I have collected gold and silver coins. I take them to the bank and deposit them. The banker issues to me a certificate of deposit. Today, banks don't deposit gold and silver coins and these certificates don't circulate as money. But in the old days a gold or silver certificate was a contract to “pay to the bearer on demand” a set amount of gold and silver coin. It was a warehouse receipt.

Upon prior agreement, the gold and silver coins may be lent to borrowers. But borrowers are under obligation to repay the loans at any time they are “called in” by the bank. This practice led to a thing called “fractional reserve banking.”

Fiat money is money unrelated to a promise to pay anything; it is simply based upon an obligation of performance. It has no intrinsic value, except an imputed value based upon an agreement. It is simply a tally system.

In this case, it represents the portion of authority (or sovereignty) delegated by the people to their government in the form of taxation. A fiat money is the issuance of a currency with which the people may pay their taxes. It is barter scrip that has been made into legal tender.

All three of these forms of money are legitimate. They can – and should – exist

side-by-side in a free economy. They provide a check and balance on each other.

For example, a commodity currency cannot be inflated or depreciated. It is real wealth that always has value because it can be used in industry.

However, a single commodity monetary unit is vulnerable to manipulation by powerful people should they obtain a monopoly on that commodity.

When gold and silver were the monetary standard in the United States, the system worked reasonably well. When gold was in short supply, people used silver.

Unfortunately, powerful businessmen persuaded Congress in the 1870s to demonetize silver (some people claim that Congress was bribed into it). Although silver circulated in the economy and silver coins were still minted, they provided only a fraction of the monetary base. Gold stood alone as legal tender and the notes that were backed by gold. This was bad because these powerful men had a monopoly on the gold mines at the time. The ensuing deflationary period was very hard on farmers. The majority of Americans were still farmers at the time. Many Americans lost their farms in foreclosure. It wasn't until the Alaskan Gold Rush at the end of the century that the monopoly on the gold mines was broken, at least temporarily. The period from 1900 to 1914 was probably the most prosperous period in American history.

Fiduciary money is useful as a medium of exchange because of its convenience and efficiency. These are benefits to a thriving economy. But this only works in an honest society. It doesn't work in a nation that does not honor its contracts and lets cheaters get away with stealing. Fractional

reserve banking leads to stealing, as will be explained below.

But what about fiat money. Is there ever a time when it is useful? It might be helpful to look to history for our answer.

Lincoln's Real Legacy

Abraham Lincoln was the first Republican President. His name is hallowed in American memory for saving the Union, freeing the slaves, and giving us a legacy immortalized in his speeches and proclamations.

What most people don't know and don't understand is that the War Between the States was not an act of northern aggression or of southern arrogance, but a ploy by powerful European banking houses to dismember the United States. Led by England - which still viewed the United States as an economic colony of the British Empire - these banking interests planned a strategy of "divide and conquer." They had even paid large sums of money to hire mercenary armies to occupy their puppet regime in Mexico and wait for the United States to become exhausted by civil war.

In the meantime, they would finance both sides of the conflict, the North and South, and charge high rates of interest and thereby impoverish the American people.

The plan worked in the South. The Confederate States were burdened by debt and by the War's end; the South had been reduced to economic ruin, even before Sherman's "March to the Sea."

In the North, however, Lincoln was not to be fooled. He reasoned that since the issuance of money was an act of state sovereignty, "Why should the government pay over 30% to borrow bank notes, when

Congress could authorize U.S Treasury Notes? Treasury Notes would require no interest at all."

So this rail splitter from Illinois outwitted the banksters. He convinced Congress that this would be the best way to finance the war and Congress agreed. \$150,000,000 were issued as Treasury Notes, fully legal tender. Taxes and the interest on the national debt could be paid in these "greenbacks" and the northern economy boomed.

Later, Congress would be intimidated by the large American banks with European connections. They lobbied against Lincoln's "greenbacks" and the next issue was not fully legal tender. That was why the "greenbacks" got a bad reputation. Congress refused to make them fully legal tender and they quickly lost value.

Regardless, this infusion of interest-free money into the economy was sufficient to overcome the costs of the war. The North ended the war with a strong economy and the plans of an invasion from Mexico had to be abandoned.

Had Lincoln lived, he planned to reform the monetary system of the United States. The bankers of Europe knew this and were fearful of an America fully liberated from their control. One of them said of Lincoln's Greenbacks just weeks before his assassination:

"If this mischievous financial policy, which has its origin in North America, shall become indurated down to a fixture, then that Government will furnish its own money without cost. It will pay off debts and be without a debt. It will have all the money necessary to carry on its commerce. It will become prosperous without

precedent in the history of the world. That Government must be destroyed, or it will destroy every monarchy on the globe.”

- Lord Goschen, the spokesman of the financiers, *London Times*

Thus, we find that fiat money is a unique form of taxation which allows the government to raise interest-free money.

This is not a bad idea as long as there are other forms of currency circulating that can compete as legal tender. If fiat currency is the only legal tender, then it is basically a blank check to the government to eventually confiscate all the assets of the people. Gold and silver, along with fiduciary money, are a necessary check-and-balance to this process.

How Bankers become Thieves

When we talk about “abolishing the Federal Reserve” or “eliminating central banks,” we don’t really mean to end the banking industry or the free market process by which there are big banks and then smaller banks. A smart, hard-working banker ought to be able to make as much money as the next guy.

What we really mean is that two important functions need to be separated from each other: the power to issue a medium of exchange (money) must be separated from the power to profit from it. *Banks should not have the power to lend and collect interest from the money they create.* The power to create money (fiat) is an act of sovereignty (the power to tax).

Like the need to separate church from state as institutions, history has shown that the power to issue money combined with the right to profit from that power is

disastrous for society. We need to separate them.

Or, to put it another way: **there ought to be two kinds of banks.** There ought to be an *issuing* bank, a bank that is really an extension of a Treasury Department, whether federal, state, or local. The issuing bank pays into circulation the currency (tax certificates) that the citizen will use, in turn, to pay his taxes. There is no interest collected for this service. The government is simply paying its bills to the people and the people are paying their taxes in a self-regulating exchange that occurs every election year when new officials are chosen by the voters. These banks are supervised by the representatives of the people.

Then, there are *commercial* banks. These banks are investment banks. Suppose I and some hard-working friends have made a lot of money and we want to invest it. We decide to start a bank and lend the money to people to collect interest. There is nothing wrong with this as long as our bank has no power to create money that doesn’t exist. We can’t keep 10% reserves and then leverage our money by issuing more “promises to pay” than the reserves we own. We simply have a surplus of money that we want to lend for profit. This is a legitimate function of banking.

The problem comes from what is sometimes called “fractional reserve banking” can become a fraudulent activity.

There is a natural business cycle and an artificial business cycle. A *natural* business cycle is caused by overproduction. When a new or better product is offered by a company, sales increase. In response, a manufacturer will produce more of that product to increase sales, and thus increase profits. When the market is saturated, demand decreases, sales fall off

and the manufacturer cuts back production.

A natural business cycle lasts only as long as the time it takes for feedback from the consumer to reach the manufacturer in order for him to make adjustments in production. Since there is already product in warehouses or in partial assembly, it takes a process of liquidation before those adjustments are complete. Prices fall during this period.

In a free market, that feedback information is communicated by purchase orders. When fewer purchase orders reach the manufacturer, he realizes that he is either overpriced, or consumers no longer want his product. He may attempt various methods to recharge consumer demand (sales, rebates, financing, perks, etc.). If these fail, however, the manufacturer must cut back production and cut costs to maintain profitability.

In the era when communication was slow or involved unpredictable factors such as weather, natural disasters, or unknown competitors, adjustments could take some time. But usually, the free market has responded quickly to consumer demand.

An *artificial* business cycle was first created by the banks in a fraudulent manner: they indulged the practice of lending gold certificates for gold that did not exist in their vaults. Bankers discovered that public trust in their banking institutions rarely resulted in demands for specie. Certificates for deposited gold circulated in the market as the medium of monetary exchange. People rarely requested the metal itself.

A banker would continue to issue these bank notes (promises to pay gold) until a certain percentage was reached, perhaps 10%. When only 10% of the notes were

backed by gold on deposit, the banker would grow fearful and begin calling in his loans until such time as he felt the institution was safe from payments on demand.

This process is **“fractional reserve banking.”**

During the period the banker was lending certificates (money) beyond the value of his deposits (gold) – which is inflation – the economy experienced a boom phase. Economic activity increased beyond the normal level of activity because an illusion was created that there was actually more wealth than there really was.

This expansion necessarily is followed by a contraction for the reasons described above. This “bust” period is usually called a “panic” or “recession.” The Great Depression was an extended period of adjustment for this fraudulent activity which occurred after the Federal Reserve was created twenty years before. The Federal Reserve was created in 1913 to end these “panics,” but it resulted in the greatest panic ever experienced in American history.

The Great Depression was complicated by other factors, but it is important to understand that artificial business cycles are created by fractional reserve banking. The recent phenomenon of the multi-trillion dollar derivatives market is an example of fractional reserve banking beyond all comprehension.

It is just as absurd to blame the gold standard for our past economic woes as it is to blame the tape measure for a house that isn't square, the electric meter for our light bill, or the Ten Commandments for sin. It was fractional reserve banking, not the gold standard that was the cause. The elimination of the gold standard was a

solution just as absurd as eliminating any other standard of measurement.

The foundation of any advanced civilization is its ability to measure distances and weights accurately, precisely, and consistently. Without it, science is impossible and no reliable technology can be produced. *What more important measurement is there than the one for economic exchange?* The fact that the United States has abandoned a gold standard is indicative of moral decay and a regression into barbarism. Fraud inevitably leads to conflict between the cheated and the cheater. It was no accident that the 20th Century – the age of fiat money – was also the bloodiest century in the history of mankind.

While most people do not understand the mechanics of money and banking, they do have good enough sense to know that there is something wrong with a currency that is not backed by anything. They also know that there is something wrong with a debt-based monetary system. If the only way to get money is by someone going into debt to get it, then the debt treadmill will never stop. It will simply get bigger and bigger.

The way money was created in the old days was simple: miners dug gold and silver out of the ground. When it was smelted, the bullion was taken to the U.S. Mint and it was stamped with a seal and made into coinage. Those coins were either circulated in the economy or were exchanged for certificates of deposit.

If you are old enough, you might remember seeing gold or silver certificates. The last silver certificates were issued in the early 1960s. These certificates looked

almost like our Federal Reserve Notes of today, except they were redeemable at any bank for silver coins.

A lot of people don't think there is enough gold and silver in the world to handle the modern economy. But that just depends on how much you want to divide it. If you divide it into smaller increments, it's no problem at all.

Besides, it's much easier to calculate in millions than in trillions. I wouldn't mind making \$100 a week if I knew that bread was \$.10 a loaf and gas was \$.19 a gallon and my mortgage was \$120 a month.

But the real problem with a floating currency is not how many zeroes it has on its bills. The problem is that people, especially foreigners, expect to trade them for things of value. Money is a legal claim on the economy and if it depreciates in value (inflation) then people will want to get rid of them in exchange for something of value.

Right now, there is a "run on the bank" going on in the American economy. But it's not Americans that are dumping the dollar. We can't get enough of them to keep up with the cost of living anyway.

Rather, foreign governments, corporations, and banks are quietly using their dollars to buy American assets: factories, farms, mines, forests, toll roads, companies and so on. They have trillions of our dollars – rightly or wrongly – but in any case, these are claims on our economy and soon we won't have any assets left to redeem them.

A Sound Money Bill

For most people, the idea of going back to a gold and silver standard for our money seems like an impossible dream. It seems too complicated and people are fearful that it will cause disruptions in the economy. Look at the sample legislation below and see if it seems so hard. The very reason our Founding Fathers called a Constitutional Convention was because our country was awash in floating currencies. When they voted to go to the gold and silver standard, the economic crisis vanished; almost it seems, in a night.

As a nation, our debts are high, but those debts are denominated in a floating currency that has not fulfilled the constitutional standards of being legal tender for forty years. By returning to constitutional standards, a lot of zeroes would be erased from the debt, some of it would be discharged as fraudulent and the rest would be reduced because lenders will want a currency appreciating in value (gold and silver) rather than depreciating as it is today.

Some people like a little bit of inflation because they think they are making more money. The fact of the matter is wages never keep up with inflation. Depreciation occurs first, and then the demand for pay raises occurs afterwards in an attempt to keep up. After the new pay raise is obtained, it has already lost its effect because depreciation is an ongoing phenomenon during an inflationary era. This phenomenon gives rise to labor unions and tensions between employees and employers, as the pay raises never seem to be enough.

In contrast, the opposite phenomenon occurred in our nation's history during the era when we had no central bank and had a gold-backed currency. During those

years, the currency appreciated in value. In general, workers found that their paychecks from last week would buy more this week. An appreciating currency served as a hidden pay raise. It encouraged savings. People could put their money under a mattress and it worked like a savings account. When they spent the money later, they found that it had increased in value.

Why do nations debase their currency? Because someone wants to steal from the people and debasing the currency allows them to do it without detection. It is as simple as that. When governments no longer can tax and borrow to support their parasitic constituency, they resort to war or inflation. It is a process which impoverishes the many but enriches the few. It consolidates ownership of land and resources into the hands of the cronies of the central banks and reduces the people to serfs on their own land.

Currently, we are experiencing the whipsaw effect of precipitous deflation following an extended period of inflation. This is a practice of the Federal Reserve, ostensibly to protect the value of the dollar. It is really a time of foreclosure and the confiscation of assets on behalf of bank shareholders and their creditors. It will be followed by an ever larger inflationary binge. This process will continue until there are no more assets left to use as collateral. Historically, the final option is slavery as people try to collateralize their only remaining asset: their very lives.

We are reaching the advanced stages of this nefarious process in the United States. At this very moment, globalist corporations, with no loyalty to this country, are snatching up farms, homes, mines, forests, factories and the very infrastructure of the United States at bargain basement prices. They are doing it with money created out of

thin air. They are proxies of the banks and represent a continuation of the old imperial system our Founding Fathers fought to destroy.

The Constitution can still save us if we have the will to take a stand. If not, soon that precious document will be swept away in the whirlwind of a national emergency and it will be gone forever.

The Plan

Most people realize that there is not much integrity in Congress. Special interests, lobbyists, and foreign agents dominate the Congressional agenda. If Congress wanted to, it could simply repeat Lincoln's solution and order the issuance of a debt-free currency (U.S. Treasury Notes) to replace the debt-based currency (Federal Reserve Notes) we have now. That would stop the debt from growing and give us something by which to pay it back.

However, that would require an assertion of national sovereignty and Congress hasn't much stomach for that. It wants world government, world trade organizations, and now at the beckoning calls of the bankers (i.e. Bernanke) - a world currency.

These new U.S. Notes wouldn't be backed by gold or silver, but at least it would stop the mushrooming debt dead in its tracks and give us a chance to transition back to a hard money system.

A realistic plan requires that we look again at the U. S. Constitution and remind ourselves that this nation was formed by the sovereign States and that the federal government is the agent and not the principal. The Constitution forbids the States to recognize any currency as legal tender that is not backed by "gold and

silver." The States cannot issue a fiat currency nor are they allowed to legalize one. This is one of the checks and balances in the Constitution that has been neglected for over 50 years. Lacking any remedial action from Congress, the State of Idaho could unilaterally revise its legal tender laws to exclude floating currencies, such as the current Federal Reserve Note. Undoubtedly, this would create a constitutional crisis, but it would be an important first step in pressuring Congress to do the right thing.

Then, Idaho could establish depositories for gold and silver coins. (I don't call them banks because they wouldn't have the power to lend money and thus revive the practice of fractional reserve banking that got us into this mess). Gold and silver certificates could be issued and these would circulate in the economy alongside of Federal Reserve Notes. Contracts could be denominated in these certificates and they could be deposited in banks and used just like Federal Reserve Notes in checking accounts and debit cards. Values could be adjusted on a daily basis just as the exchange of foreign currencies is now.

In other words, we would again have in the United States, as we have had in the past, a competing currency system. No longer would Americans be trapped to the misguided and sometimes capricious power of the Federal Reserve Board. They could opt to use a different medium of exchange for their economic security.

Getting state legislators to go along with this idea might be easier than getting Congress to do something, but it still would be hard. Boldness is not a character trait of a politician; so the people really need to do this themselves.

How? In Idaho, we have what is called "the Initiative process" by which a proposal

can be put on the ballot to be voted on directly by the people. If it's approved, then it becomes law. We will still want the Legislature to get on board with this effort, but an Initiative would create a mandate. It would be a good place to start.

The following proposals can be modified into a bill in the state legislature or used as a citizen's initiative petition.

Idaho Monetary Reform Act of 2009

1--Pursuant of Article I Section 10 of the United States Constitution which requires of the State of Idaho that
 2--it “make only gold and silver coin a tender in payment of debts,” no citizen of the State of Idaho
 3-- shall be compelled to accept anything but silver coin as a tender in payment of debts.
 4-- Nor shall any tax, fee or fine be assessed or denominated in a floating currency; nor shall any
 5-- contract for payment be enforceable which cannot be, by legal right and demand, converted into
 6-- silver coin. In addition to silver coin issued by the Congress of the United States, the State
 7-- Treasurer in cooperation with the State Bureau of Weights and Measures shall establish depositories
 8-- throughout the State that shall receive specie of any kind and denomination. After the weight and
 9-- fineness of the specie shall be assayed according to dollar weight (371 ¼ grains silver), he
 10-- shall cause to be issued to the depositor silver certificates bearing the Seal of the State of Idaho
 11-- and these may circulate as legal tender to discharge all debts public or private. The depositories shall,
 12-- for a nominal fee at the time of deposit, act as warehousing facilities which shall insure the safety of the
 13-- deposited specie. No specie shall be lent or removed from the depository except that a certificate be
 14-- withdrawn from circulation. Upon application and certification of private mints in the State of Idaho,
 15-- the State Treasurer shall permit the striking of the State Seal upon silver coinage of various
 16-- denominations of 1 dollar weight, ½ dollar weight, ¼ dollar weight, and 1/10 dollar weight. Coinage of
 17-- copper and zinc at the face value of 5% and 1% dollar weight, respectively, shall also be struck with the
 18-- State Seal which may circulate for petty monetary exchanges.
 19-- No state sales tax or municipal sales tax shall be collected on the circulation of legal tender
 20-- as herein defined, but a sales tax may be collected on any floating currencies which shall be
 21-- circulated in the State of Idaho. The State Bureau of Weights & Measures shall establish daily
 22-- the exchange rates between floating currencies, whether domestic or foreign, and legal tender herein
 23--defined. The right of the people to use a tally system, to barter, and to issue promissory notes shall not
 24-- be infringed. This Act shall take effect immediately but the State Treasurer shall have 90 days to
 25-- implement the provisions of this Act. Tax assessments and contracts shall be revised at the beginning of
 26--the next fiscal year to conform to the provisions of this Act.

WARNING

It is a felony for anyone to sign any initiative or referendum petition with any name other than his own, or to knowingly sign his name more than once for the measure, or to sign such petition when he is not a qualified elector.

INITIATIVE PETITION

To the Honorable Ben Ysursa, Secretary of State of the State of Idaho:

“We, the undersigned citizens and qualified electors of the State of Idaho, respectfully demand that the following proposed law, to-wit:

“Amending Title 26, Idaho Code by the addition of Chapter 38, titled ‘The Monetary Freedom Act’:

“38-101. SHORT TITLE. This chapter shall be known as the ‘Idaho Monetary Freedom Act’

“38-102. CONSTRUCTION AGAINST IMPLICIT REPEAL. This act being a general act intended to interpret and enforce the Constitution of the United States, no part of it shall be deemed to be impliedly repealed by subsequent legislation if such construction can reasonably be avoided.

“38-103 SEVERABILITY. If any provision of this act or the application thereof to any person or circumstances is held invalid, the invalidity shall extend to that case alone and shall not affect other provisions or applications of this act which can be given effect pursuant of the Constitution, and to this end the provisions of this act are severable.

“38-104 EFFECT OF ACT ON EXISTING BANKS, FINANCIAL INSTITUTIONS AND CORPORATIONS. The powers, privileges, duties and restrictions heretofore conferred and imposed upon any bank, financial institution, corporation or limited liability company now existing and doing business under the laws of this state, are hereby abridged, enlarged, or modified as each particular case may require to conform with the provisions of this chapter.

“38-105 LEGAL TENDER. Finding that the power to issue money has been unconstitutionally delegated by Congress to a body unelected by the people, *to wit*: the Federal Reserve Banking System, a private stockholder’s corporation which issues corporate scrip known as Federal Reserve Notes that have not been redeemable in gold or silver coin since 1971, yet which the citizens of Idaho are compelled to accept as legal tender;

“Furthermore, finding that this practice violates the limitation of powers delegated to Congress in Article 1, Sections 8 and 10 of the United States Constitution and Article 4, Section 4 which guarantees to every State in this Union ‘a republican form of government’;

“Pursuant of Article 1, Section 10 of the United States Constitution that imposes a mandate upon the States, including Idaho, to make nothing but ‘gold and silver coin a tender in payment of debts’ and the Tenth Amendment, which reserves to the several States the right to assume the powers of sovereignty not delegated to Congress, or through dereliction, those delegated powers surrendered by Congress;

“Only gold and silver coin, from whatever source derived, shall be legal tender in the State of Idaho.

“38-106 DEBT RELEASE. Finding that the creation of a spurious form of valuable consideration by banks through ledger entries in exchange for liens against the property of the people to be a fraudulent custom without Constitutional authority,

“All contracts with financial institutions denominated in currencies not redeemable in gold or silver shall be deemed odious debts and shall be void *ab initio*.

“Within 180 days after enactment, all other existing contracts shall be renegotiated to conform to the requirements of this Act or, having failed to do so, shall be void. From the date of enactment, no fine, debt, settlement, or lien shall be collectible until they are valued, assessed and denominated in legal tender as herein defined to the mutual agreement of all parties involved.

“38-107 ALTERNATIVE CURRENCIES. All treasury notes issued under the authority of the Constitution of the United States which are redeemable in gold or silver shall be accepted as legal tender in the State of Idaho.

“The right of the people by mutual agreement to circulate commodity warehouse receipts as money, to issue and receive promissory notes, to use barter scrip, or to settle their private accounts with a tally system, shall not be infringed.

“To avoid public indebtedness, bond levies shall no longer be imposed to pay for public works. Rather, tax certificates shall be issued by the respective taxing district. A tax certificate shall be a non-interest bearing tax receipt which may be used to pay the salaries of public employees and the general expenses of government. These may circulate as money and may be used by any bearer on demand to pay the taxes owed to the taxing authority which issued the certificates.

“The issuance of tax certificates shall not exceed the total receipts collected by the issuer from the previous year without a majority vote of the electors in the respective taxing district, unless the assessed valuation has increased proportionately.

“Tax certificates must be used to pay for taxes during the year they are issued or they shall be considered expired. But a renewable coupon or stamp can be purchased and affixed to the certificate to extend the life of the certificate. The charge for these coupons shall not exceed 10% of the certificate’s face value for each year it is renewed.

“The State Legislature may authorize the State Treasurer to issue tax certificates against the proven in-ground reserves of gold and silver in the State of Idaho which are subject to taxation. These certificates shall be known as IGR Certificates and shall be legal tender in Idaho. They shall be used to pay for general government expenses, to pay the public indebtedness of the state, and to compensate the citizens of Idaho for any losses incurred by the failure of the federal government to pay its obligations in legal tender.

“38-108 IMPLEMENTATION. The State Legislature shall establish depositories, not banks, for the collection of taxes and to facilitate the exchange process between government entities and their vendors. No State money shall be deposited in private financial institutions of any kind.

“The State Legislature shall establish rules and regulations defining the process of converting from the present fiat currency to gold and silver.

shall be submitted to the qualified electors of the State of Idaho, for their approval or rejection at the regular General Election, to be held on the 2nd day of November, A.D., 2010, and each for himself says:

I have personally signed this petition; I am a qualified elector of the State of Idaho; my residence and post office are correctly written after my name.”

Points to Remember

1) The "dollar" is simply a unit of measurement. Prior to the "United States Dollar" there was a "Spanish mill dollar." According to the Monetary Act of 1792, the "dollar" was a specific weight of silver (371 ¼ grains). Much like a yardstick as a measurement of length, it is absurd for the government to ban private individuals from making yardsticks. Can you imagine the government giving a private yardstick manufacturing company the exclusive right to manufacture yardsticks? Anyone else who is caught making a yardstick is subject to confiscation of their goods and imprisonment. Certainly, this would be a violation of the Constitution.

The government can, however, establish the standard for weights and measures. It can establish the legal length of a yardstick. Likewise with the dollar, the government originally established its legal weight in gold and silver.

Although presumably illegal now, once upon a time any citizen could have minted a "Dollar," although never a "United States Dollar." The People may have delegated the power to "coin money" to Congress, and they may have prohibited it to the States, but they never surrendered that power. They are sovereign and the right to coin money is a right retained by the people.

That is why the federal confiscation of the "Ron Paul Liberty Dollars" late last year was such an outrage. It was a naked attack upon the rights of the people. This event occurred in north Idaho and every one of us should have a sense of violation. It is gangsterism and must be resisted.

2) What would likely happen with an "Idaho Constitutional Dollar" is that the State of Idaho would provide legal immunity to our local mints and protection for producing silver coins. Although these mints could not produce "US coin," they could, by popular demand, mint an

"Idaho Dollar" as private individuals. These and other coins - including pre-1964 U.S. coins - could be circulated and deposited in a State Bank created exclusively to warehouse gold and silver. The State Banks would issue "Certificates of Deposit" and these gold and silver certificates would circulate in the economy as money. Debit cards could be issued on these accounts.

Up to this point, it is the people who are minting the coin and the State of Idaho is merely providing safe storage of these coins. The Bureau of Weights and Measures could be used to verify the fineness and weight of deposited coin.

3) Idaho could declare these coins "legal tender." In doing this, Idaho would be complying with the constitutional requirement of recognizing only "gold and silver" as legal tender. In conjunction with this, Idaho could allow taxes to be paid in gold or silver coin or these certificates. They could require that banks provide a conversion to Federal Reserve Notes, just like a foreign currency, so that citizens can bank and transfer funds from one system to another.

There is a saying that "bad money drives out good money." People might fear that the gold and silver would be hoarded and not circulated. The answer to this problem would be for the state to charge a franchise fee or a tax to circulate Federal Reserve Notes. Don't tax the gold and silver like the Feds are doing now. Turn the tables on them. "The power to tax is the power to destroy."

4) Although it would invite a constitutional crisis, Idaho could declare the Federal Reserve Note void as legal tender and stop using it altogether. I don't think we're ready for that, but with the collapse of the FRN dollar overseas, anything is possible in the coming weeks and months. What we are concerned with at this point is creating what Ron Paul talks about as a competing currency situation in order to maintain our local economies should the money fail.

Legal Brief Defending State Action to Establish a Sound Currency

Abstract

Argument #1 – The Sovereignty Doctrine - While the U.S. Constitution delegates to Congress the power to “coin money” (Art. I, Sec.8, ¶5) it also prohibits to the several States the right to accept anything as legal tender except gold or silver coin (Art. I, Sec. 10, ¶1). The federal courts have generally ruled in favor of the right of Congress to circulate a national currency, whether backed by precious metals or not, but the right of the States to prohibit the circulation of unbacked currency has never been tested in the Supreme Court. In the light of the claims of State sovereignty arising under the 10th Amendment, it may be reasonably assumed that the States have the right to prohibit as fraud the circulation of unbacked currencies. One of the essential features of sovereignty is the right to issue money. In the Constitution, that right has been delegated to Congress and has been prohibited to the States, allowing for one exception: the circulation of gold and silver coin. Since the Congress has delegated this power to a private corporation, the Federal Reserve Banks, it can be argued that Congress has committed a nonfeasance and because of that, the several States may reassume the money power at their discretion.

Furthermore, it was long in our national experience that private individuals, companies, and even corporations could issue corporate scrip, warehouse receipts, and bills of credit which circulated as money under the 9th Amendment as one of the “rights retained by the people” and as a “right to contract.” This was the foundation of private banking in the United States. Not unlike coupons from a grocery store, these “promises to pay” circulated as money but were not considered legal tender. When \$80 billion was withdrawn from circulation in the United States during the Great Depression - in an attempt to destroy the nation’s economy - many companies, factories and communities issued this barter scrip to maintain local economies and municipal services. It is clearly the right of the people to use a tally system, to barter and

to use anything in an economic exchange. It is their right to contract and to promise to pay. But gold and silver are, by the Constitution, legal tender and may be used to discharge any debt, public or private, in lieu of any other promise or claim. The failure of Congress to provide a constitutional legal tender deprives the citizen of a fundamental right and obliges the several States to make good on this essential duty.

The right of Idaho to defend this fundamental right of the people cannot be questioned. The right of the people to circulate barter scrip, gold & silver coins, or warehouse receipts deserves protection from the spurious claims of federal agencies that these activities infringe upon the legal tender laws of the United States. The people have the Constitutional right to an honest monetary system. They are sovereign under our form of government.

Argument #2 – The “Breach of Contract” Doctrine - The U.S. Constitution stipulates that the “United States” are required to guarantee to each of the several States “a republican form of government” and “protection from invasion” (Art. IV, Sec. 4). Should the “United States,” presumably through their agents – the various branches of the federal government – fail in this essential obligation, it may be assumed that a “state of nature” exists and that the States have the right to raise armies in their defense, even though it might violate the letter of some Constitutional provisions.

By extension of this principle, it follows that should the “United States” fail to provide a republican form of government, then a state of nature would also exist and the States would be required to take such actions which would secure that guarantee. As agents to their principals, the various federal agencies would be found in breach of contract with the several States which created the relationship as parties to the Constitutional Compact. The powers delegated to Congress can be reassumed by the principals (the several States) in order to enforce the provisions of the Constitution.

The States would reassume these essential powers with disregard to the federal courts. Since the Constitution does not single out Congress in this instance but “the United States,” a breach of contract by one agent (Congress) would implicate

them all, including the courts, which could not be regarded as arbiters in such a situation. The courts themselves would be a part of “the United States” as identified in this clause.

Furthermore, treaties and executive agreements in recent decades have been used to violate numerous Constitutional rights and to deny normal representation of the people on questions of fundamental importance. The World Trade Organization, the United Nations, the North American Free Trade Agreement, and even the Federal Reserve Banks themselves are unelected bodies and represent just a few of the many organizations which have had the effect of violating this guarantee to a “republican form of government.” The federal courts are bound by the Constitution to enforce these treaties and agreements (Art. VI, , ¶2) and, for that reason, are just as culpable in this “breach of contract” claim as is Congress or the Executive Branch.

The decision to abandon gold and silver as legal tender in the United States was made to satisfy the wishes of foreign entities not elected by the people of the United States. Nor was this decision made by a process to amend the Constitution, as would be expected, but by spurious Acts of Congress and Executive Orders under the guise of various emergencies. It is quite evident, now, that these Acts and Orders are themselves the “State of Emergency” which have provided coverture to otherwise naked acts of aggression against the people of the United States. It is a fact which indicates that the many members of Congress, the Executive Branch, and even the Courts are under the influence of foreign agents working as Fifth Column operatives in the United States.

With the international collapse of the Federal Reserve “dollar,” a true state of emergency exists perpetrated by the agents of the federal government itself. Just as it would be incumbent upon the States to protect their citizens from invasion, it is their right, it is their duty, to protect the property of their citizens. Considering the dereliction of Congress to provide a sufficient currency of exchange according to the standards of the Constitution - to wit, gold and silver coin – it is imperative that the State of Idaho reassert its sovereignty under the 10th Amendment

and restore the monetary authority to the elected representatives of the people per the Constitutional guarantee to a republican form of government.

Argument #3 – The Odious Debt Doctrine – This a term that was first coined following the Spanish-American War when the U.S. repudiated the debts of Cuba. It is a practice which has precedence in the 14th Amendment when the United States repudiated the debts of the Confederacy. People who lent money to the Confederacy had no legal standing to collect. They funded an insurrection that failed. The Constitution does not honor the debts of those who either usurp or attempt to overthrow the United States.

The refusal of the Federal Reserve Board to disclose the recipients of the recent \$2 trillion of bail-out money is indicative of private profiteering and an unacceptable and arrogant autonomy. It is a nonfeasance sufficient to invoke the “odious debt doctrine” and repudiate the debts of the United States. The Federal Reserve is not acting in the best interests of the American people, but for the interests of favored cronies in the banking and investment industries. If debts are accrued which are not calculated to benefit the people in whose name the debts are contracted, if they are used to impose a transfer of assets, not by deed, but through “adverse possession” (the use of county courts and sheriffs in foreclosure) on debts in which there was no “legal consideration” offered by the lender (they created the money by ledger entries), and if the effect is to deprive the people of their property, restrict their liberties or alter their form of government (none of the positions in the Federal Reserve are elected by the people), then qualifies as odious debt.

The consolidation of assets into stockholders corporations and then in the use of hostile mergers may seem to be a legal evasion of the foreclosure process at the county level. But if public debt is being used as coverture for this process, then there is a legal nexus to pursue these transactions as odious debts. The charters of corporations which use fiat money to buy-out their competitors ought to be revoked and their assets seized.

* * *

**Response of Idaho Attorney General's
Office to what was circulated as "The
Jubilee Initiative"**

October 24, 2008

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL
LAWRENCE G. WASDEN

The Honorable Ben Ysursa
Idaho Secretary of State

STATEHOUSE MAIL

Re: Certificate of Review

Proposed Initiative Petition Regarding
Legal Tender in Payment of Debts

Dear Secretary of State Ysursa:

A proposed initiative petition ("Initiative") was filed with your office on September 11, 2008, and received by this office on September 25, 2008.

Pursuant to Idaho Code § 34-1809, this office has reviewed the Initiative and has prepared the following advisory comments. Please know that, under the review statute, the opinions expressed in this review pertain only to the legal issues raised by the Initiative. This office offers no opinion regarding any policy issues raised by it.

Furthermore, the Attorney General's recommendations are "advisory only", and Petitioners are free to "accept or reject them in whole or in part."

BALLOT TITLE

Following the filing of the initiative petition, this office will prepare short and long ballot titles. The ballot titles are required by law to impartially and succinctly state the purpose of the measure without being argumentative and without creating prejudice for or against the

measure. While this office prepares titles, if Petitioner would like to propose language in line with these standards, we recommend that he do so. Any proposed language will be carefully considered.

1 Idaho Code § 34-1809.

P.O. Box 83720, Boise, Idaho 83720-0010

Telephone: (208) 334-2400, FAX: (208) 854-8071

Located at 700 W. State Street
Joe R. Williams Building, 2nd Floor

Secretary of State Ysursa

October 24, 2008

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MATTERS OF SUBSTANTIVE IMPORT

Introduction

Entitled "The Jubilee Initiative Petition", the Initiative seeks to make gold or silver coins the only legal tender acceptable for the payment of debt within the State of Idaho. Petitioner seeks to:

1. Make "null and void" all contracts with financial institutions denominated in currencies not redeemable in gold or silver;
2. Make all fines, debts, settlements, or liens unenforceable unless denominated in gold or silver coins;
3. Make taxes payable in only gold or silver coins or in tax certificates issued by the taxing authority; and
4. Require the state legislature to establish depositories for the certification and circulation of gold and silver coins, to issue tax certificates, and create all needful rules and regulations "for orderly compliance with the Constitution."

Congress. Not The States. Determines What Is Legal Tender

Citing Article 1, § 10, of the United States Constitution, the Initiative

declares that only gold and silver coin will be legal tender in Idaho.

Art. 1, § 10, of the U.S. Constitution is binding on the state of Idaho.² It imposes limitations upon the states and provides, in relevant part:

No state shall enter into any treaty, alliance, or confederation; grant letters of marque and reprisal; coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts; pass any bill of attainder, ex post facto law, or law impairing the obligation of contracts, or grant any title of nobility. (Emphasis added.)

2 See *McCulloch v. State of Maryland*, U.S. (4 Wheat.) 316 (1819).

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Art. 1, § 10, while it prohibits states from coining money and restricts their right to make anything but gold and silver coin tender, imposes no such limitation upon Congress. The Constitution, in fact, gives Congress the sole power to decide how the moneyed transactions between citizens should be regulated.³ Art. 1, § 8, cl. 5, of the U.S. Constitution declares that Congress shall have the power "[t]o coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."

It is this section, wrote a federal district court in the case *Nixon v. Phillipoff*,⁴ that gives Congress the exclusive ability to determine what will be legal tender throughout the country. Nixon, a pro se plaintiff, brought an action against Phillipoff, who had filed a mortgage foreclosure action against his property and the clerk of court who had accepted Phillipoff's filing fee, which he paid in Federal Reserve notes.

One of Nixon's arguments for dismissal was that Phillipoff had violated Art. 1, §10, of the U.S. Constitution because he paid the foreclosure filing fee with Federal Reserve notes instead of "lawful money" (i.e., gold and silver coin). Nixon asserted that § 10 requires a state to accept and recognize only gold and silver coin as

legal tender, which is also Petitioner's position.

The court stated that Nixon's interpretation of § 10 WOULD, in effect, declare Federal Reserve notes illegal, creating an inconsistency with Art. 1, § 8, cl. 5.

The court observed that:

[t]he power to coin money necessarily carries with it the power to declare what is money, and the constitution does not limit Congress to gold and silver coin. Section 8 sets forth the powers of Congress, while § 10 imposes a restriction on the states. It strains logic and constitutional interpretation to claim that the framers of the constitution sought to limit Congress' power to coin money via an implication derived from a restriction directed not at Congress but at the states.,,5

Congress, the court observed, has the unrestricted power to declare what is and is not legal tender or, stated another way, what a creditor must accept as payment of a debt. Art. 1, § 10, acts only to remove from states their inherent sovereign power to declare currency.⁶

Because Congress has declared, through federal statute, that Federal Reserve notes are legal

3 See *Ogden v. Saunders*, 25 U.S. 213 (1827).
4615 F.Supp. 890 (D.C.lnd, 1985).
5615 F.Supp 890,893.
6 1Q.

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tender, states must accept them as such.⁷ Citing numerous federal cases that originate from the U.S. Supreme Court Legal Tender Cases of the 1800s to support its conclusion, the court concluded that Nixon's position was illogical and flew in the face of established legal precedent.⁸

It was in the Legal Tender Cases that the U.S. Supreme Court explained the purpose of § 10.

The Constitution was intended to frame a government as distinguished from a league or compact, a government supreme in some particulars over States and people. It was designed to provide the same currency, having a uniform legal value in all the States. It was for this reason the power to coin money and regulate its value was conferred upon the federal government, while the same power as well as the power to emit bills of credit was withdrawn from the States. The States can no longer declare what shall be money, or regulate its value. Whatever power there is over the currency is vested in Congress. 9

(Emphasis added.)

Several years before the Legal Tender Cases were heard by the U.S. Supreme Court, the Supreme Court of the Territory of Idaho considered the issue. In the 1867 case of Haas v. Misner, the Idaho Territory Supreme Court concluded that taxes were debt within the meaning of federal law and any state law that required taxes to be paid only in gold or silver coin, or its equivalent, was null and void.10

The court observed that state laws that contravene "either by grafting limitations on or exceptions to the provisions of an act of congress" are invalid. The court noted that:

[t]he constitutionality of the act of congress authorizing the issuance of these [Treasury] notes and making them a "legal tender in the payment of all debts, public and private," has been affirmed by too many

of the tribunals of last resort in 7 See 31 U.S.C. § 5103.

8 615 F.Supp. 890, 894.

9 Idaho Op. Atty. Gen. No. 82-12 citing Legal Tender Cases, 79 U.S. (12 Wall) 457, 545 (1871).

Pronouncements on legal tender reaffirmed in Legal Tender Cases, 110 U.S. 421 (1884).

10 1 Idaho 170 (1867).

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of the states of this Union to be now considered an open to question 11

The Haas case was followed two years later by Crutcher v. Sterling, a case in which an Idaho sheriff sued the Territorial Treasurer, claiming that, under territorial statute, he was entitled to be paid in gold from the prison fund.12

The court disagreed, holding that the sheriff had to accept payment in legal tender notes.

Ninety-five years later, in the case Herald v. State, an Idaho plaintiff questioned whether he could lawfully pay his taxes using Federal Reserve Notes as currency.13

He argued that Art. 1, § 10, of the U.S. Constitution precluded payment in anything but gold or silver coin. Predictably, the court stated that § 10 "was intended only to limit a state's authority to create its own form of legal tender other than gold or silver."

Addressing the plenary authority of Congress over currency of the United States, the court quoted the U.S. Supreme Court in the Legal Tender Cases, which said:

Congress is vested with the exclusive exercise of the analogous power of coining money and regulating the value of domestic and foreign coin, and also with the paramount power of regulating foreign and interstate commerce. Under the power to borrow money on the credit of the United States, and to issue circulating notes for the money borrowed, its power to define the quality and force of those notes as currency is as broad as the like power over a metallic currency under the power to coin money and to regulate the value thereof. Under the two powers, taken together, Congress is authorized to establish a national currency, either in coin or in paper, and to make that currency lawful money for all purposes, as regards the national government or private individuals.14

Applying the legal authority cited above leads inexorably to the conclusion that the State of Idaho has no authority to declare what shall and shall not be legal tender in this state. That is the sole responsibility of Congress.

Consequently, the declaration that only gold and silver coin shall be legal

111d. 121Idaho 306 (1869).
13107 Idaho 640,691 P.2d 1255 (Idaho App., 1984).
14107 Idaho 640 quoting The Legal Tender Cases, 110 U.S. 421, 448 (1884).

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tender is unconstitutional and should be removed from the Initiative. Since the Initiative's objectives spring from the legally flawed premise that the State of Idaho may determine legal tender, it follows that:

1. The clause that makes "null and void" all contracts with financial institutions denominated in currencies not redeemable in gold or silver should be removed. Legal tender is what must be accepted by creditors in satisfaction of all debt.

Additionally, it is likely that a court would find such a provision unconstitutional on the additional ground that voiding such contracts would result in an impermissible burden upon Congress' constitutional authority to regulate commerce.¹⁵

2. Because of Congress' peremptory authority to determine legal tender, the clause making all fines, debts, settlements, or liens unenforceable unless denominated in gold or silver coins is unconstitutional and should be removed.

3. The clause requiring taxes to be paid in legal tender is constitutional as long as it is Congress that establishes legal tender.¹⁶

The permissibility of allowing taxes to be paid with tax certificates is difficult to

determine since the term "tax certificate" is not a commonly understood term, but rather a technical one, which is undefined in the Initiative and in the Idaho Code.

The use of tax certificates to pay taxes is a concept that will require fuller development so that the provision is not void for vagueness. Petitioners may consider a separate initiative dealing with payment of taxes to avoid running afoul of the Unity of Subject and Title requirement of the Idaho State Constitution.¹⁷

4. In the Initiative's final clause directing that the State Legislature create rules and regulations "for orderly compliance with the Constitution", Petitioner should specify that it is to the U.S. Constitution to which the word "Constitution" refers. Assuming

15 See U.S. Const. Art. 1, § 8, cl. 3.
16 See *Herald v. State*, 107 Idaho 640 (Idaho App., 1984), wherein the court observed that a statute requiring that property taxes be paid in lawful money of the United States did not unconstitutionally create a new form of legal tender. .

17 Idaho Const., Art. III, § 16, requires that "Every act shall embrace but one subject and matters properly connected therewith, which subject shall be expressed in the title; but if any subject shall be embraced in an act which shall not be expressed in the title, such act shall be void only as to so much thereof as shall not be embraced in the title."

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that the reference is to the U.S. Constitution, Art. 1, § 10, the limitations imposed upon the states by this section require no state rule and regulation to effect compliance.

The final sentence of the Initiative is therefore needless surplusage and should be struck. Moreover, it is likely that a court would find the requirement that the

Legislature certify legal tender unconstitutional, given Congress's exclusive authority over the currency.

MATTERS OF FORM

The format and style of the Initiative does not conform to Idaho Statutes. It is unclear if the Initiative is to form one statute or more than one.

Petitioner should review Idaho Code § 34-1801A and use it as a guide to draft the Initiative so that it substantially follows the form prescribed by law.

This statute requires that initiatives be preceded with a "WARNING", stating that it is a felony for anyone to sign the petition with a name other than their own or to knowingly sign the petition more than once or to sign if not a qualified elector.

A section entitled "INITIATIVE PETITION" should follow the "WARNING" and should include a demand by petition signers that the proposed initiative be submitted to voters at a regular general election and a certification of their residence and their status as qualified electors. The Initiative lacks these elements.

Additionally, Idaho Code § 34-1804 requires that "[e]ach signature sheet shall contain signatures of qualified electors from only one (1) county." Petitioner's signature sheets contain the signatures of persons from multiple counties.

Finally, Idaho Code § 34-1807 requires that each sheet of every petition contain a notarized affidavit from the person who circulated the petition, which states that he/she is an Idaho State resident at least 18 years old, that he/she believes that each petition signer is an elector qualified to sign the petition, and which includes the circulator's post-office address.

CERTIFICATION

I HEREBY CERTIFY that the enclosed measure has been reviewed for form, style, and matters of substantive import. The recommendations set forth above have been communicated to Petitioner via a copy of the

Secretary of State Ysursa
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Certificate of Review, deposited in the U.S. Mail to James W. Stivers, 1435 Desmet Road, Desmet, ID 83824.

Sincerely,

LAWRENCE G. WASDEN
ATTORNEY GENERAL

Analysis by: Mitchell E. Toryanski
Deputy Attorney General

Author's Review

(A more reader friendly version of this report can be found at the Idaho Attorney General's website under "Opinions" and then "Legal Tender." It is the only opinion under that category.)

This author concedes and acknowledges the opinion of the Attorney General's office, except for three fatal flaws:

First, the Federal Reserve Note, when first issued, did not claim, nor did it ever claim, to be "lawful money of the United States." Nor has Congress ever ascribed such identification. In saying this, whatever support the Federal Reserve Note had from the Legal Tender Cases of the late 19th century (i.e. redeemability in gold or silver), it is moot now. The Federal Reserve Note is corporate scrip with no gold backing.

The Legal Tender cases were used to support a monetary system in which fiat currency (greenbacks) circulated alongside of gold-backed currency. The citizen could obtain both and could use both to pay his bills and his taxes. The citizen was not unjustly encumbered, at least in the opinion of the court.

Second, the current fiat status of the Federal Reserve Note (since 1971) has never been contested before the U. S. Supreme Court. The Attorney General cites cases from lower courts to support the failure of Congress to provide “lawful money” of the United States.

Finally, the Attorney General does not adequately consider the status of the States as principals to the Constitutional Compact and their right to enforce the provisions of the Constitution should Congress, in dereliction, fail to do so. (See legal brief abstract above.)

For these reasons, while the Attorney General’s opinion has on its face the appearance of sound legal authority, it falls short of an adequate defense of the current monetary system.

Report on Tax Certificates as a Local Currency

Second Draft

by James W. Stivers
jwstivers1@gmail.com
(January, 2009)

Introduction

Money Shortage During Depression

During the Great Depression, there was a desperate shortage of a medium for economic exchange (i.e. money). In a closed economic system in which you have just one currency and a central banking system, the withdrawal of money from circulation by the central bank is the direct cause of lower prices in the aggregate. As the shortage of money worsens in scale, fewer and fewer sales occur at the current prices. Prices for goods and services are forced down.

Caused by Banks

This may seem to be a natural event to many people, but it is not. In our current system, money is created by policy and policy is a decision by persons in power.

The decline in prices would not be a problem except for one fundamental fact: *parties to a contract cannot be compelled to renegotiate*. If a contract for loan or purchase was made when the supply of money sustained a certain price level but then is expected to be paid when the supply of money no longer supports that price level, assets must be liquidated to fulfill the terms of the contract. This has been the primary complaint of critics of the Federal Reserve Banking System. The Federal Reserve continues to engineer extreme cycles of "boom and bust" in which bankruptcy becomes the only option for many people and businesses. The banks obtain ownership of these assets because they became collateral when the contract to borrow occurred. Because

there is a subsequent shortage of money engineered by the banks, an inevitable scenario of "musical chairs" occurs in which there is not enough money in circulation to enable the payment of all contracts. Someone must go broke.

Affects Taxes

The decline of tax revenues is reflective of a decline of sales, prices, and income. The decline of tax revenues usually results in the decline of government services rather than a decline in government employees. Government is encumbered by its own contracts with its employees. It will cut services before it will cut the payroll. The opposite occurs in the private sector. Services are the source of company profits. Businesses will cut payroll before they cut services. If they cut services, they will lose market share and income. They will go broke. Government doesn't care very much about services because it retains the power of coercion. Private businesses do not have this power.

Local Currencies = Local Solutions

Local Barter Scrip

During the Great Depression, many localities, businesses, school districts and even states began to issue barter scrip to sustain their local and regional economies. An excellent website that has catalogued hundreds of these currencies can be found at

<http://www.depressionscrip.com>

Also go to this website on the history and theory behind local currencies:

http://www.ratical.org/many_worlds/cc/

The federal government and the Federal Reserve did not like this because it created economic independence for these localities. The national agenda at the time was centralized control and it still is.

Local Scrip Legal

Even though they were opposed by these federal institutions, local currencies were legal and they are still legal today. Currently, there are dozens of barter clubs across the United States issuing local and regional currencies. Although there is no municipal or county scrip at this time, worsening economic conditions may bring about renewed interest.

Feds Buy-up Barter Scrip

As these Depression-era currencies gained in popularity, the Federal Reserve Banks were compelled to issue more of their own bank notes into circulation to compete. Because they had the power to issue fiat currency on "the full faith and credit" of the United States, they were able to buy-out these various local currencies and withdraw them from circulation. There is a way to prevent this from happening, but during the Depression, people didn't care whether the money was a Federal Reserve Note or a local Tax Certificate. All they wanted was money to spend. In the future, a sustainable local currency will be necessary to maintain the local economy. All central banking systems siphons capital away from the local community into the coffers of international business.

Sovereignty = Money

Right to Contract

The right to issue money is a right of sovereignty. Because the people are free, they have the legal capacity to contract. Slaves cannot contract. A capacity to contract validates a promissory note - and that is all money is: a *promise*, either expressed or implied.

The old money notes contained contractual language. They promised to redeem the note to the bearer on demand of a certain weight of gold or silver. They were called "fiduciary notes."

What Legal Tender Means

The fiat notes we have now cannot be

redeemed for anything, but they are legal tender for all debts, public or private. *Legal tender* means you have the right to use them to discharge your contractual obligations (i.e. to pay your bills) and the other party must accept them. This is an aspect of state sovereignty. Because the government has the right to tax, it has the right, even the obligation, to issue the money into circulation that the people can use to pay their taxes. If the government does not do this, the people will be unable to pay taxes and the government will not have sufficient revenue. Since the people can use the Federal Reserve Note to pay their taxes, that fact is what gives it imputed value.

(If there is only one source of money and if there isn't enough money issued to pay taxes, then government has committed a *nonfeasance* against the taxpayer. The taxpayer is being asked to use a currency for the payment of taxes when it does not exist or cannot be had.)

Greenbacks

U. S. Treasury Notes, or Greenbacks, were the first truly fiat currency of the United States. (The Continental was not legal tender for taxes.) They were issued during the Civil War and were derisively called "Lincoln's Greenbacks" by people who were on the payroll of the big bankers. The value of the Greenbacks lay in their use to pay taxes. But they had another important value: they did not have to be borrowed into circulation. When our money is borrowed into circulation, interest charges accrue. During the Civil War, bankers wanted interest as high as 34%. Greenbacks were issued without any obligation on the part of the government to pay them back to anyone or to pay interest. Taxes were used to withdraw them from circulation and prevent inflation. (There was inflation anyway because of the shortage of manpower. But it wasn't because of the fiat currency.)

Today, we have Federal Reserve Notes, not U.S. Treasury Notes. FRN's are borrowed from the banks and interest is owed. Furthermore, banks create this money by ledger entries and

not with any gold or silver. Their reserves are the IOU "nothings" of the federal government.

The Local Tax Certificate

It has value because. . .

The Tax Certificate operates on the same principle as the U.S. Treasury Note. It is similar to a note or a warrant issued by the county, except that a warrant is interest bearing and must be paid in legal tender. In this respect, a warrant is more like a Federal Reserve Note. Because a tax certificate is not interest bearing and can be used to pay local taxes, it is a local-level version of the Greenback. The tax certificate is a fiat currency that obtains value from two important principles: first, the citizen can use it to pay his taxes and second, it can be circulated as a medium of exchange.

Not Legal Tender

However, because a tax certificate is not legal tender, a customer cannot demand the storekeeper accept it as payment for his goods. The storekeeper has the legal right to refuse it and require legal tender. The tax certificate works like barter scrip: the merchant will usually accept barter scrip if it increases sales and if it can be used to purchase goods and services from other merchants. Cooperation from the local Chamber of Commerce helps to establish a local currency, but the fact that **a tax certificate is barter scrip that can be used to pay local taxes** gives it a par value with legal tender.

Institutional Independence

Our goal should be to restore sound currency based upon redeemability with silver. But the first step toward that goal will require an institutional independence from the current banking system. That cannot be done without a government-issued currency. There have been many attempts by hard money advocates to issue barter certificates with redeemability in gold or silver. The reason these attempts have been met with limited success is the simple fact

that taxes cannot be paid with them. They must be converted into legal tender before they can be used to pay taxes. **The tax certificate creates an institutional independence for the local currency because it is created by a taxing district that has a piece of the sovereignty pie.** It does not require a conversion into legal tender -- and an argument can be made that it should not be taxed by the state or federal governments (more on this later).

Not Counterfeit

The tax certificate is not a counterfeit currency because it does not claim to be the currency of the United States, nor does it claim to be legal tender. That is why barter scrip retains legal acceptance. Like coupons from a grocery store, barter scrip operates on the basis of mutual cooperation among citizens in their economic exchanges. Large item purchases involving installment payments will require a clause that accepts payment in either tax certificates or "lawful money of the United States."

"Trade Dollars" have been taxed

Many barter currencies are called "trade dollars" without any trouble from the government. Barter dollars are taxable according to the IRS and other tax collection agencies (see the Tax Equity & Fair Responsibility Act of 1982).

Merchants are required to charge sales tax on purchases made in either legal tender or barter scrip. An argument can be made that this practice is unfair. If barter scrip is taxed, why can it not be used to pay taxes? How can the government demand taxes from a transaction that did not involve legal tender? Although administrative rulings by these various taxing authorities have required assessing a tax on barter transactions, they have not been contested in the courts. Lacking clear guidance from the courts, each person must follow his own conscience and decide for himself whether he wants to declare transactions made in barter scrip.

The tax certificate, however, is issued by a government entity. Taxing it may represent the taxation of one government entity of another government entity, which seems to create a Constitutional problem. Various levels of government are allowed to tax the same citizen but not each other. That is an infringement on their sovereignty. A state may require local governments to collect taxes on its behalf, but it cannot impose a tax on the revenues received by those localities from their own levies. It is not clear when a tax certificate ceases to represent the revenue of government and becomes the personal income of the taxpayer, but it might help to describe how it would be issued as follows:

Tax Certificates and Idaho Law

Even though it is called a tax certificate, it is issued as *payment* by the taxing entity in exchange for goods and services from a public employee, vendor or contractor who is also a taxpayer. So in a sense, the tax has *already* been paid through the consideration that was given in return for the certificate. The vendor or contractor has not earned income, but rather has earned a tax "credit" which is transferable to others when he circulates the tax certificate in the community for the purchases he makes with it. On the other hand, because it is a credit, it is not strictly speaking a tax anticipation note (TAN) or a warrant, although it contains a promise that taxes will be discharged on behalf of the bearer when he presents the certificate to the county treasurer or tax collector.

Tax Certificates in Idaho Statutes

In Idaho the tax certificate does not have a legal existence in the statutes. But in other states, a "tax certificate" may be issued as receipt for taxes paid. The right to issue a tax certificate is implied in the power to tax. It corresponds with the statutory authority of taxing districts to issue revenue anticipation bonds (RABs), notes, warrants and refunding bonds

(Idaho Code 63-3107) as long as they do not exceed 75% of the revenues from the previous year (63-3106).

Since most property taxes are paid twice a year, banks play an important role in funding government through this lucrative process of using interest-bearing notes or bonds. Basically, governments operate on a float and settle their accounts during the tax collection periods. They are continuously funding operations with short-term debt for which they pay interest. The tax certificate would greatly reduce this dependence. Stiff opposition from local banks and brokers ought to be expected as this new approach of funding government would greatly reduce their profits.

Like Revenue Anticipation Notes

Revenue anticipation bonds and notes are "negotiable instruments" (63-3102) and as such, can be used as money. **Tax certificates, in this sense, would be similar to non-interest bearing revenue anticipation notes.**

Taxes can be prepaid (63-1608)(63-903-2) and unused credits can be allowed to expire. Taxes may be paid by "third parties" (63-905). "The county shall pay no interest on any interim payment receipts" which are not posted until the "tax becomes due" (63-906).

How they worked in the Depression

What happened during the Depression was that various government entities ran out of money to pay their employees and to maintain services. Officials approached their employees and asked them to take partial payment in scrip issued by the respective city or county. The percentage varied according to the shortfall anticipated.

Thus, city workers, road crews, school teachers and so on accepted their smaller paychecks drawn on banks and paying in Federal Reserve Notes. But the balance of their wages was paid with tax certificates. These

employees went into the community and spent them at the local stores and shops for the goods and services they needed. Local merchants accepted the certificates, at first because they knew that they could use them to pay their local taxes. But soon, they discovered that they could use them to pay their own bills and buy the things they needed at other business establishments. Eventually, local banks began to accept them for deposits and for a short time were used as collateral in obtaining loans, although the banks that belonged to the Federal Reserve System eventually withdrew them from circulation, as noted above.

Lawful Money of the United States

In Idaho, the statutes require that,

All property taxes must be paid in lawful money of the United States. Notwithstanding the provisions of this section, a county may allow for payment of taxes by use of a debit card, credit card or electronic funds transfer (63-901).

"Lawful money of the United States" may refer to Federal Reserve Notes, but they have never been declared as such – only as "legal tender." In fact, the early notes issued by the Federal Reserve merely claimed to be "redeemable in the lawful money of the United States" and then later that language was abandoned altogether in favor of "legal tender for all debts public or private." The only lawful money of record is the various gold and silver coinage of the U.S. Mint. We might surmise that the coins minted in recent years are "lawful money," but this statute provides no guidance on the matter.

At first blush, it might appear that the locally issued tax certificate does not conform to the Constitution or to this statute. But closer examination seems to demonstrate otherwise.

Constitutional because they are not "Legal Tender"

The Constitution requires of the states that they make nothing but gold and silver coin "a tender in payment of debt" (Art. I, Sec. 10). Since the tax certificate does not claim to be "legal tender," it would not violate this provision of the Constitution.

Nor would it violate the prohibition of the states to issue "bills of credit." Strictly speaking, a tax certificate is not a bill, a note, or a credit. It is certification of a transaction which has already occurred.

How the people create "Legal Tender"

The allowance for "debit card, credit card or electronic funds transfer" is a gaping loophole in the statute. We may surmise that *debit cards, credit cards and funds transfer* begin with the deposit of "lawful money of the United States." But such is not the case, at least for credit cards, as described below:

*Here is how the credit card scheme works: when you sign a merchant's credit card charge slip, you are creating a "negotiable instrument." A negotiable instrument is anything that is signed and convertible into money **or that can be used as money**. The merchant takes this negotiable instrument and deposits it into his merchant's checking account, a special account required of all businesses that accept credit. The account goes up by the amount on the slip, indicating that the merchant has been paid. The charge slip is forwarded to the credit card company (Visa, MasterCard, etc.), which bundles your charges and sends them to a bank. The bank then sends you a statement, which you pay with a check, causing your transaction account to be debited at your bank. At no point has a bank lent you its money or its depositors' money. Rather, your charge slip (a negotiable instrument) has become an "asset" against which credit has been advanced. The bank has done nothing*

but monetize your own I.O.U. or promise to repay.

- *The Web of Debt*, p. 284, Ellen Hodgson Brown (emphasis added)

So, it is evident by this process that negotiable instruments created by people qualify as "lawful money of the United States" according to this statute.

Certificates as "Consideration"

As for the tax certificate, it is important to examine the word "certificate." Like a gold or silver "certificate," a *certificate* represents a financial transaction that has already occurred. The gold or silver certificate was issued to represent actual wealth that was "deposited" in a bank for storage. It was something that had actual existence, not potential existence. A "certificate" was issued to "certify" the existence of the gold or silver and to "certify" the legal claim that the bearer of the certificate had to withdraw and acquire possession of the respective metals that were deposited.

A tax "certificate" is certifying that the tax has already been paid by the bearer of the certificate. Actually what has occurred is that the government employee, vendor or contractor who received the certificate received it as consideration in exchange for the goods and services he has already provided to the government. The tax certificate may be used by the employee, vendor or contractor to discharge his own taxes, or if he has an excess of certificates, he may elect to circulate them as *credits* in the community. Since the statutes allow third parties to pay taxes at any time, these certificates can circulate in the community **like an anonymous debit card**. And since they are issued "to the bearer," anyone can use them to discharge their taxes when presented to the tax collector. In this respect, they serve much like a gift card, credits on a ledger, or a punch card.

If it is discovered that the tax certificate as

an "anonymous debit card" cannot be supported by the statute, that problem can be resolved rather easily. When the certificate is first issued by the treasurer for payment to the employee, vendor, or contractor, its serial number can be recorded in the treasurer's ledger along side of the name to whom it was paid - just like a check. Later, after the certificate has circulated in the community, John Doe, the bearer of the certificate presents it to the tax collector for payment of taxes. The tax collector looks at the treasurer's ledger and finds the serial number of the certificate and enters in the record that the taxes were paid by the original recipient of the certificate on behalf of John Doe (see I.C. 63-906).

RABs are Negotiable Instruments

A similar process already occurs with "revenue anticipation bonds or notes" (63-3102, 3103, 3104, 3105, 3106, 3107, and 3108). As mentioned above, the statutes recognize them as negotiable instruments. It would appear that these notes can be presented by the taxpayer to the tax collector for payment of taxes. The conversion to Federal Reserve Notes would be a formality simply represented by a ledger entry marking the tax as "paid."

Negotiable Instruments are Taxable

Furthermore, the state claims the right to tax barter transactions. It requires that any transfer of consideration be valued in lawful money even if no lawful money was exchanged. If that is so, then the argument is strengthened that tax certificates can be issued as barter scrip to employees, vendors, and contractors in lieu of legal tender. It would appear that the purpose of the statute above is to prevent the use of foreign currencies for the payment of taxes.

Conversion to a Gold and Silver Standard

The tax certificate represents the tax base of the county or city. The tax base represents the ability of the taxpayer to produce goods and services in exchange for consideration. It includes the land and the natural resources with their value added from human labor.

Why not just a gold standard?

A gold and silver standard gives those two metals a monopoly on the monetary system. We already know the damage caused by the demonetization of silver during the late 1800s for the benefit of the international bankers who had a monopoly on the gold market (at least until the Alaskan gold rush at the end of the century.) Anyone who has control of the production of the source of money has an economic advantage. That is why some hard money economists have argued in favor of a commodity-based currency. Each geographical region would benefit from monetizing its own natural resources.

But the Constitution requires gold and silver, and until the Constitution is amended, that is the standard we must follow. In all respects, a return to gold and silver would wrest economic power from the international bankers. And that is a worthy goal.

Why a silver standard for us?

Since silver was the original currency of the United States and since north Idaho is blessed with an abundance of silver, it seems that a local currency based on silver would be a simple process. Here is the proposal:

1. North Idaho counties - such as Benewah, Bonner, and Shoshone Counties - begin to issue tax certificates at a rate of 10% of tax receipts to pay public employees to replace the decline of tax revenues. As these begin to circulate in the local economy, local merchants will notice increased sales and general improvement to economic

conditions. At this point, county contracts can be awarded to contractors willing to accept partial payment in tax certificates.

(A big argument in favor of the tax certificate is the same for local barter scrip: it keeps money and business local. This policy would favor local contractors.)

2. As the economic conditions warrant an increase, the county commissioners can authorize a larger percentage of tax certificates to be issued. The goal would be the statutory limit of 75%, but that is unrealistic until there is an inter-county exchange.

3. The respective northern Idaho counties can authorize the acceptance of tax certificates from participating counties. For example, Benewah County could recognize and accept Shoshone County tax certificates in payment for Benewah County taxes. These could be endorsed by an *Inter-County Trade Exchange Commission* (ICTEC) for a nominal fee to prevent counterfeiting and to monitor parity of exchange.

4. Shoshone County could make its tax certificates redeemable in gold or silver coin. Since Shoshone County has silver mines as part of its tax base, it can require tax payment from the mines in silver bullion coin per Art. I, Sec. 10. Shoshone County's tax certificates then would become the standard of value for the tax certificates endorsed by the Inter-County Trade Exchange Commission. Thus, a precious metals standard could be established for all the tax certificates of all the participating counties.

5. Western Montana counties and eastern Washington counties will want to participate. They can become members of ICTEC and help create a regional economy based on local currencies that are redeemable in silver. We can cross state boundaries because a silver-backed currency would fulfill the requirements of Art. I Sec. 10 and it would not declare itself to be legal tender.

Alternatives and Countermoves

Local banks may at first question the notion of tax certificates. The loss of interest-bearing bonds sold to government will cut into their profits. But when they consider the losses from an unhealthy economy and decreased deposits from local patrons, they will have much more to gain from an effort to maintain community liquidity.

Just as in the Depression era, banks can use tax certificates as reserves on deposit. They can profit from the leveraged lending on those reserves, just as the banking system does with U.S. Treasury bonds. We should oppose fractional reserve banking, but to overcome the initial opposition, it might be helpful to emphasize the immediate positive effects for banks if they accept a new method to maintain a local economy.

It is probable that branch banks will receive orders from corporate management to oppose tax certificates. They may even receive orders to further contract the money supply in a given community by denying loans. We ought to expect a flight of capital that will frighten community leaders. It will be important to have a counter-proposal.

Patronizing local banks that support the tax certificate is important. City and county governments should switch their accounts to banks that will honor tax certificates. Establishing a credit union that accepts tax certificates - and perhaps only tax certificates endorsed by ICTEC - would help create an alternative banking system, complete with checking, savings, and loans. Debit cards could be issued using tax certificates on deposit.

Should state authorities use draconian methods to shut down this process, we could turn to the area Indian tribes which by treaty retain the sovereignty to establish their own

legal tender should they elect to do so. If tribal leadership can be won over to the honest money doctrine, it would be worthwhile to support a nativist movement for both the tribes and American citizens who are not encumbered by contract with the federal government.

Conclusion

The biggest threat, in my opinion, is that the Federal Reserve will simply send out the order to mop-up these tax certificates and withdraw them from circulation. That is how monopolists operate: they buy-out the competition. The best solution I have seen offered to this problem is to set an expiration date on the tax certificate. This would prevent hoarding, encourage the circulation of the currency, and prevent the banks from using them as reserves for issuing more Federal Reserve Notes. But in the aid of supporting long-term borrowing, the certificates need to have an annual renewal coupon or stamp that will extend their life for several more years. This would provide a compromise between the certificate as a source of liquidity for the economy and as a store of value for lending.

As long as the tax certificate is outstanding, the taxing district is prevented from issuing new certificates. If there is a final date of expiration without the obligation of redemption, new certificates can be issued to maintain government operations.

After more discussion, a new draft of this report will be forthcoming.

ADDENDUM

The Jubilee and the American Experience

Early American documents, including the Constitution, are careful to avoid the word “sovereignty” in reference to the powers of government. This is because “sovereignty” is a term that refers to a king, and in the United States, we have no king.

The unique feature of kingship is that the king alone has the “right to property.” All property rights flow from him as dispensations. Of course, in the Western tradition, the king has had an institutional rival in the church. The Church represents the sovereignty of God. Historically, few kings have dared to challenge the Church’s claims. Not until the King of England also became the head of the Church of England did any monarch have the courage to seize church properties.

In terms of land, the ownership of property by a king is absolute (called *droit, droit* in *allodium*) and is not subject to taxation or eminent domain. The ownership of property by all others is in “fee simple” and is subject to taxation and eminent domain. When the American colonists threw off the monarchy, they expected allodial land titles. And for many, such became the case. Many Americans purchased the new lands from Congress and received land patents. In a very real sense, these Americans were like monarchs on their own land.

When they won their independence, they also expected the Jubilee. Many men who fought in the Revolution were bankrupts who expected debt relief when the war was over. That was why the Liberty Bell was inscribed with the words from Leviticus 25:10 quoted above: “Proclaim liberty throughout the land unto all the inhabitants thereof.” The Colonists fought to be relieved of their debt burden.

Although history books will not tell you these things, the Founding Fathers reneged on their promise. There was a rebellion known as “Shay’s Rebellion.” History books may tell you that Shay’s Rebellion was caused by other reasons, but the real reason was debt relief. That was why the Founding Fathers made sure there was a bankruptcy clause in the Constitution and that debtor’s prisons were banned. It was their compromise to settle the discontent between the disappointed citizenry and the financiers who expected profits from their loans to the Colonists. Bankrupts were expected to surrender their homes and lands to the debt collectors, and then start a new life on the western frontier where land was cheap. The empty land was our nation’s safety valve. The day of reckoning, however, cannot be put off any longer.

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