The Politics of Money

In addressing the "money problem," I can do no better than the following essay. In it, E. C. Riegel is at his most eloquent, providing in a few short pages a concise review of the pertinent history, a lucid and persuasive argument as to the Constitutional scope of government's monetary role and power, a scathing indictment of legal perversion and usurpation, and an inspiring revelation as to the natural locus of the money power and how it can be applied to liberate us all.

The essay is reproduced below in its entirety, as it was written, except that I have added some bold emphasis, a few bits of punctuation, and occasional editorial comments. Here then, in a nutshell, is the problem, its context, and its solution. – Thomas H. Greco, Jr., May 9, 2004.

Breaking The English Tradition

by E. C. Riegel

Throughout the ages the devices of cunning men have turned money to their nefarious purposes. Money, beginning with private enterprise as a means of escaping the limitation of barter soon developed the cheat to exploit the honest trader who in an effort to protect himself turned to government for protection, only to find that now he had two thieves, the private money changer and the political plunderer working hand in glove against him. By this combination the money changer gained the prestige of political sanction through legislative license and the state secured a deceptive device for laying taxes upon the citizenry. It was and remains a vicious alliance.

But it is not our greatest enemy. The greatest enemy of mankind is ignorance of the inherent money power in all of us. When the realization of this comes to man he will, like Sampson, push down the walls of his prison. It is a comfort to know that in spite of the universal union of finance and politics against industry, this combination is not entrenched behind constitutional or legislative impediments to the exercise of man's natural power. Nothing but our own ignorance stands in our way. We are not forbidden to exert our money power; we merely neglect to do so.

English Tradition

Our monetary practices have stemmed from the English tradition where under the money power is recognized by the state as a private power, controlled by financiers. **In the days when the word "money" meant only gold and silver and copper coins, the English government undertook merely to define the pound and its fractions and to stipulate the weight and fineness of the metal to be contained in each coin and to stamp the seal of the state thereon as a certification of fidelity. This did not imply issuing money. The metal had to be brought to the mint by the private owner and for a charge (seignior age) it was stamped and returned to him.**

Banks were neither authorized nor prohibited. Not until the formation of the Bank of England in 1696 [sic.; actually 1694] was there any recognition by the state of private banking. **The Bank of England sprang from a deal that a group of private bankers and merchants made with the crown and to lend to the government at an agreed interest rate and the rehabilitation of defaulted loans previously made by some of the bankers. By this charter, the bankers secured the right to depart from metal money and to have paper money made legal tender.** Paper money was called "bills of credit" and this terminology carried over into our monetary vernacular.

American Adoption

Following the English tradition the American colonies and later the states proceeded to establish a money system on the premise that money is a creation of private enterprise but that it is the

proper function of government to define the unit just as it defines weights and measures. That money issuance by government was not contemplated is shown in Article 1, Section 8, Paragraph 2 of the Constitution:

> *Congress shall have power to borrow money on the credit of the United States.*

If it had been conceived that the government was to be the source of money it would have, of course, been unnecessary to insert a provision for borrowing. The same article and section provides in paragraph 5:

> *Congress shall have power to coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures.*

Obviously, bearing in mind the English precedent, and associating the money provision with the fixing of the standard of weights and measures, the clause meant merely the definition of the unit and the coinage for the public of any metal brought to the mint. This is clearly shown by the first coinage law passed to implement this provision. This coinage law will be quoted later. Further confirmation of this interpretation of intent is had in Article 9 of the Articles of Confederation adopted Julny9, 1778 and which the Constitution later re-phrased:

> *The United States in Congress assembled shall have the sole and exclusive right and power of regulating the alloy and value of coins struck by their authority, or by that of the respective states – fixing the standard of weights and measures throughout the United States.*

This provision has the same meaning as the Constitutional clause previously quoted except that the framers of the Constitution thought best to deny to the states the power to strike coins, by inserting Article 1, Section 10:

> *No state shall coin money, emit bills of credit, make anything but gold and silver coin a tender in payment of debts.*

The purpose of both clauses was to abolish coins of the several states and to unify the nation in one monetary language. The provision to regulate the value of foreign coin was repeatedly implemented by statutes which stated the power of a number of foreign units such as the pound and franc and under such regulation a number of foreign units were made legal tender as late as 1857. These included the coins of France, England, Spain, Portugal, Brazil, and others.

As final proof that government issue of money was not contemplated we turn to the first coinage law passed by Congress April 2, 1792, four years after the adoption of the Constitution. These are its salient clauses:

> *Sec. 9 There shall be from time to time struck Dollars or units – each to be of the value of a Spanish milled dollar as the same is now current, and to contain three hundred and seventy-one grains and four sixteenth parts of a grain of pure, or four hundred and sixteen grains of standard silver.*

> *Sec. 11 And be it further enacted, That it shall be lawful for any person to bring to the said mint gold and silver bullion in order to their being coined; and that the bullion so brought should be there assayed and coined as speedily as may be after the receipt thereof, and that free of expense to the persons by whom the same shall have been brought.*

> *Sec. 16 And be it further enacted, That all the gold and silver coins which shall have struck at, and issued from said mint, shall be lawful tender in all payments whatsoever, those of full weight according to the respective values herein before declared, and those of less than full weight at values proportional to their respective weights.*

Sec. 20 And be it further enacted, That the money of account of the United States shall be expressed in dollars or units, dimes, or tenths, cents or hundredths and milles or thousandths, a disme being a tenth part of a dollar, a cent the hundredth part of a dollar, a mille the thousandth part of a dollar, and all accounts in public offices and all proceedings in the courts of the United States shall be kept and had in conformity to this regulation.

From the reading of the above clauses it is clear that Congress understood that "coin money and regulate the value thereof" had not the slightest relation to the issue power and that the coins were to be the property and issue of those who brought the metal to the mint. The use of the word "issued" in Sec. 16 obviously meant fabricated as it relates to the gold and silver of private owners.

Yet Congress has issued billions of dollars. How come? **The clause "to coin money and regulate the value thereof" which is generally quotes as the government money power is, in fact, not the enabling clause at all. The issue power resides in the clause "to borrow money on the credit of the United States." It is not generally recognized that the power to borrow is the power to issue when the borrowing is from banks. This is the power exercised by private borrowers as well as governments. The borrower secures the right to issue checks against a credit and thus increases the money supply. The instrumentality of the borrow-issue process is the private banking system but the private banking system is subject to laws and regulation of government.**

Finance

Thus it is seen that the money mechanism, under the concept borrowed from England, is a contrivance that is both political and private but is strictly neither. It is a hybrid, and its name is finance. Compounded from both political and private interests, it compromises both private enterprise and public service. It confounds students of money and causes them to take sides for either the banking end or the government end when in fact a plague should be put upon both their houses. Control over money should be denied to both government and banks. Finance is the evil genius that brings discredit upon both the state and private enterprise and raises the threat of fascism and communism. It is financism that is at fault for all the evils blamed upon capitalism and the democratic form of government. **Financismhas created a debt-money system where under the producer of wealth is required to gain the assent of parasites and pay interest tribute for the power to negotiate production and distribution and where under the government is perverted.**

The whole world is struggling with the evil of finance over business and government. The tend is toward greater power for government and less for the banker, but this, rather than a solution, is leading directly to communism for as the power of the state augments, the subjection of the people increases. England has just voted to socialize the Bank of England and thus absorb into the state the poison of financism. This trend exist all over the world and is a trend toward communism because the issuance of money by the state is unwarranted since the state is a non-producer and it compels the state sooner or later to acquire the means of production so that it may back its issue with goods and services.

[When this essay was written, probably in the late 1940's or early fifties, fascism had ostensibly been defeated in the Second World War, and communism seemed the greater threat. We now see that communism is but another form of fascism, and that fascist elements are on the rise within what were presumed to be the bastions of democracy. Fascism is a merging of government and corporate business, so that what should be countervailing forces, now become but two aspects of centralized control. Fascism uses every available tool for domination, and the control of money is the most powerful of them all. – t.h.g.]

The New Concept

Finance which is the creature of the unholy wedlock between banker and state cannot be

solved by either partner dominating or consuming the other. The only solution lies in the people denying the power of both over industry, and their assertion of their own money power. The debt-money system where under the private enterpriser is obliged to pay tribute to and be subject to control by a non-producer, whether that be government or private banker, must be boycotted. In its place a mutual credit basis for money creation must be established where under traders pledge each other, not to pay tribute to an outside institution but to pay each other only for value received. The credit pledge must be a mutual one to accept mutually created money for goods and services and not to incur debt to a money lender who is no part of the private enterprise system.

This is the American concept of money issuance within the private enterprise system itself and freed from financial parasites and political control. The prevalence of this concept will end the traditional English finance system that we inherited and will drive us to communism *[despotic government, war, general impoverishment and ecological disaster–t.h.g.]* if we continue to pursue it. Fortunately, as stated at the outset, there is no constitutional or statutory barrier to the inauguration of a private enterprise, non-debt, non-interest, mutual money system. **Only our private "inertiative" delays our emancipation.**

[True as that might be, we should have every expectation that the vested interests in the status quo will not fail to cast obstacles in our way. There will be those who, failing to recognize the self destructive nature of their present course, will try to foil the very changes upon which their salvation depends. But liberty has never been given; it is for the good and the bold to grasp it. – t.h.g.]

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