PRIVATE ENTERPRISE MONEY

A Non-Political Money System

by E. C. Riegel

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Author's Preface
MONEY OR YOUR LIFE

The life of modern man depends upon his mastery of money.

Our political money system is breaking down and must be displaced by one that serves the needs of modern exchange. Otherwise our civilization will perish.

As technological improvements tend to specialize and confine each man's production, the need for the exchange of products increases, and, therefore, man's dependence upon money makes the mastery of this vital agency more and more imperative.

Production grows more mechanical, while consumption, on the other hand, has no machine technique; it still operates by our hands and bodies. Therefore there can never be mass consumption to coordinate with mass production. Consumption remains private and individual. Production grows more interdependent——requiring the coordination of many machines and many hands——while the function of consumption cannot be shared or mechanized; it is human, individual, self-dependent.

To fulfill the function of consumption (without which production is purposeless) the individual must be, as buyer, a self-starter and self-stimulator, and therefore, money power, sufficient to buy his production, must be at the command of every man. Otherwise the people cannot coordinate their consumption with their production and this deficiency causes the production machine to clog and recoil with vicious consequences. Not only are these economic results painful in themselves, but they cause the people to turn to political intervention as a remedy, and this complicates the problem and increases the peril.

WE MUST HAVE LESS RATHER THAN MORE POLITICAL INTERVENTION AND THIS BOOK WILL SHOW THAT IT IS POLITICAL INTERVENTION THROUGH THE MONEY SYSTEM THAT BREEDS ALL OUR ILLS. PRIVATE ENTERPRISE MUST, IF IT IS TO BE PRESERVED AND PERFECTED, HAVE A PRIVATE ENTERPRISE MONEY SYSTEM. THE POLITICAL MONEY SYSTEM IS INHERENTLY ANTIPATHIC TO PRIVATE ENTERPRISE AND INEVITABLY TENDS TO COMMUNIZATION.

Our mass production power must be balanced by our individual buying power and our buying power is dependent upon our individual money-creating power. *Money cannot meet modern needs by descending to the people; it must rise from them.* Until this is comprehended mass production must continue to miscarry. We, as consumers, must literally make money or be stymied. Government cannot assume this responsibility for us. Every individual producer must exert the right and assume the duty of creating money, if there be need therefore, to buy the value of his own production. There cannot be full distribution of wealth without full distribution of money power. He who would make must also take——in ratio. Each of us must have the ability to create fountain pen money with our own hands. Machine production must be coordinated with handmade money.

Recurrent business slumps, mal-distribution, over-production, unemployment, panics and depressions are but the gentler reminders that our industrial life is in danger. In the end war presses a gun against our head with the demand——money or your life. Must our economic and political maladies be compounded into periodic cataclysms and our civilization be destroyed before we master money?

Typical of the stress laid by economists upon the need for sustained purchasing power is the following quotation from "The Dilemma of Thrift" written in 1926 by William Trufant Foster and Waddill Catchings:

> "In fact, adequate, sustained consumer-demand would do more than any other means now within human control toward increasing wealth, abolishing poverty, maintaining employment, solving labor problems, increasing good will among men generally, and maintaining the peace of the world. No means of preventing war holds out such large immediate possibilities as this... It is, therefore, difficult to exaggerate the importance of finding a means of sustaining purchasing power. The next world war, if it does come, may well be the last war——at least the last war in which the present nations will have any interest, for it may well destroy civilization itself."

Well, "the next world war" has come and is upon us, and whether or not it is leading to the destruction of civilization will not be determined by the outcome of the military phase of the war. The issue cannot be determined by military victory. Its cleavage is not the battle front. Both Axis and Allied Nations are committed to the system of government-created purchasing power, whether they be classed as fascist, communist or democratic. The broad question that will determine the fate of humanity is whether the evil practice of synthetic buying power by governments shall continue to the inevitable collapse of the social order or whether the producer of wealth will exert his natural buying power and thus avert disaster.

Without reservation I assert that the whole fate of society hinges upon the one question of whether it can at this critical juncture gain mastery through the mastery of money and thus coordinate purchasing power with producing power. The issue is——money or your life.

——E. C. Riegel

Introduction

Man has two major problems.

His first problem is:

HOW TO PROSPER.

His second problem is:

HOW TO GOVERN GOVERNMENT.

The solution of one is the solution of the other. It lies in the understanding and exercising of his inherent money power through a non-political money system.

Because man has not mastered the problem of achieving prosperity, he has turned to government for its solution. Thus he has complicated his problem, for government offers no solution to the problem of prosperity, while its intervention in this primary problem brings the additional problem of how to govern government. When government undertakes to solve man's problem for him it undertakes the mastery of society and it cannot be both master and servant. Thus it has failed in both spheres. By intertwining the prosperity problem with the political problem man has snarled the threads and no solution of either is possible without separation.

When man has mastered money he shall have mastered not only his economic problem of prosperity but also his political problem, for he will see that money has no place in state functions, and, the money power being entirely in his own hands, he will easily master the state and clearly define its services. Thus money must be seen as the means of mastery of all economic and political problems. Until we have mastered money we shall not master any of our problems. Not money, but a false money system, is the root of all evil.

We shall find that money power is inherent in all of us; and that this power can not be exerted for us. We must either exert it or become suppliants to some authority that issues money, and which, when it issues, can do so only in its own behalf. Since we have looked to government to exert the money power, either directly or indirectly by the legalizing of the banking function, we have innocently fashioned our own subjection from which nothing but the correcting of this error can extricate us.

It is useless to fret over our self-imposed oppressions or to quarrel with our government over ills that have resulted from our having placed upon government the impossible task of issuing money in our behalf. Public officials are just as ignorant of the real cause of economic and political miscarriages as we. However earnestly they may strive to exert the money power in the public interest, they are doomed to failure because the laws of money make it impossible.

The first cardinal truth of money is that no one, whether individual or government, can issue money without buying something. By inviting government to become a money issuer, we invite it to become our customer. Then we quarrel with it if it tries to buy something that we deem within the province of private enterprise.

The second cardinal truth of money is that money must be backed with something, and the act of backing can only be the act of selling. Since we object to government buying and selling anything useful, but nevertheless insist that it issue money, we force it into boondoggling or public works that do not conflict with our private enterprise. Thus we compel government to issue unbacked money by making it impossible for it to sell anything in exchange for the money it issues. As this process of issuing unbacked money continues, each unit grows weaker and thus the dosage must be increased. Hedged about, as government is, by our objections to its invading private enterprise and yet keeping it under the pressure to issue money, it is ultimately forced to the most consummate public works spending program, which is war.

Obviously, the economy must have money supply; and, since we are too ignorant to understand that not only the power but the duty to issue money resides in ourselves, pressure falls upon government to issue it. To issue money, government must buy something. We divide on what it should buy and from this division arises our favor for fascistic or agrarian or proletarian programs of expenditure. While we do not realize it, nevertheless, our partisanship is merely a preference as to the channel through which the government is to pervert the economy, for perversion it must be, since expenditures by government lead either to government ownership or inflation. Each channel of expenditure has its proponents and opponents and the one that has the broadest appeal and the least opposition is armament building——which in turn broadens into war. Thus Mars is continuously beckoning to the politician as the easiest way out of a difficult political problem. We bring all our ills upon ourselves, including the affliction of war, through our ignorance of the laws of money which no government can alter or suspend.

We must first of all assume responsibility for the solution of our primary problem of prospering ourselves. To do this we must master money. Having done this, we shall find that vicarious money issuing power is a pure illusion and that we can and must exert the money power by and for ourselves. This step accomplished, we shall find that we are no longer petitioners of government but that government is completely dependent upon us. Ipso facto we solve all political problems and end war.

Government must be governed by a principle that defines the separate spheres of business and politics. When we take the money power out of politics, and allocate it to its natural sphere in private enterprise, we establish a proper coordination between the profit and non-profit motives of society. Without this allocation the two spheres are in constant conflict, breeding all manner of pressure groups and isms that seek to reconcile the irreconcilable. Money is an instrumentality of the profit motive and must be issued and backed only by private enterprisers. Economic and political perversities are inescapable while government is admitted to money power. Since all national governments have, up to the present, been money issuing powers we may justly attribute all the economic and political ills of mankind to this single error. This is a sweeping claim——but it is made deliberately and in full consciousness of its broad implications. We have not yet learned how to constitute government, nor do we comprehend the full meaning of private enterprise and its power to bring universal prosperity.

Empowered, as governments are today, to control the money system, they are a constant menace to the peace and prosperity of mankind. Mad men, selfish men, ambitious men, fanatics and crackpots may at any time seize the reins of government and drive the state like a juggernaut over the people. When government is invested with money power it rises above the citizen and under the profession of protecting him may actually constitute the greatest threat to his well-being and safety. The power which control of the money system gives to government to interfere in and direct and even take the life of the individual should not exist on this earth. No man or group of men is warranted in holding this terrible power over fellow men.

Democratic government to date has been a pure illusion. All that has been accomplished by voting or revolting is a change in the personnel of government. The perversive money power remains to serve the evil designs of the dishonest politician and to frustrate the plans of the virtuous. Money power means budget power and it is folly to imagine that the citizen can control government unless he can control its budget.

Political democracy is a system of tolerance; not one of active support. The citizen is engaged with the duties and problems of his private affairs and if government does not especially annoy him he takes it for granted. It is only when it burdens or bothers him that he is stirred to action. As a citizen he functions negatively, i.e., he doesn't trouble to give approval; he registers only disapproval. Since this is the citizen's natural attitude toward government, he must be put in position not only to protest a completed act but also to veto a proposed one. He must have both voting and vetoing power. Therefore government must be so placed that it can have no existence independent of the citizen, and must ask for every penny it proposes to spend. This monetary control by the citizen over the state is the only form of democracy that is effective. Until we have attained it, we merely beguile ourselves with our elective processes.

We must have a broader voting process than the mere marking of a ballot annually or quadrennially. We must vote money—— and, to vote it freely and effectively, we must control this all-powerful ballot, without government interference. Thus we will have elections every day and every hour, controlling both business and government by the simple process of granting or withholding patronage. Until we have monetary democracy we have only the shell of democracy without the substance.

As long as we cling to the superstition that we must look to government for money supply, instead of requiring it to look to us, just so long must we remain the subjects of government and it is vain to follow this or that policy or party or ism in the hope of salvation. We can control government and our own destiny only through our money power and until we exert that power it is useless for us to debate the pros and cons of political programs.

THE FIRST STEP

The first step toward complete economic and political freedom through the ultimate abolishment of the political money system is the establishing of the private non-political money system to demonstrate its feasibility.

The new concept of money is that, to be sound and stable, and adequate, it must spring solely from the same source from which all wealth springs, namely——the people, and that, to effectively coordinate with our mass production system, the people must issue the money necessary to buy their production.

The program is for state-wise action by the people in their respective states, to set up Valun Exchanges. (The word "valun" is compounded from VALue and UNit and pronounced vallen.) The Valun Exchanges will clear checks for their members and with each other nationally and internationally——making one money system, unifying trade regardless of political divisions, and obviating foreign exchange.

The proposed new money unit is called valun and is to be issued in checks, bills and coins. The valun is to be made par with the 1939 dollar, but entirely disassociated from it and every other political unit. Thus it offers escape from the coming inflation.

The projected plan for a private money system, designed both to perfect private enterprise and preclude political perversions, rests on this basic proposition:

Money can be issued only in the act of buying, and can be backed only in the act of selling. Any buyer who is also a seller is qualified to be a money issuer. Government, because it is not and should not be a seller, is not qualified to be a money issuer.

This cardinal statement brings the money function clearly within and makes it a part of private enterprise, and takes it out of the political sphere. Thus private enterprise becomes truly private, and money is transformed from being a tool of politics and finance to a utility for mass distribution of mass production of goods and services.

By democratic control of the proposed Valun Exchange, each person and business would have the power to create money equivalent to his or its power to produce, and there would be no aristocracy to hold this power exclusively or disproportionately. In brief, the capitalist system would be a popularized and equitable system, because everyone would be a capitalist, and would command the sphere of his own activities. The composite of such command would be a popular mandate for prosperity and peace and economic union of all peoples.

What we have had to date is a politico-capitalism——an unnatural alliance between politics and business, corrupting to both. Capitalism cannot realize its purpose of prospering the people and thus pacifying the world, and the state cannot become a true and impartial public servant until the political money system, the tie that binds them, is severed and the private enterprise money system is instituted.

EVILS OF THE PRESENT SYSTEM

The present money system has three basic evils:

a) It permits money to be issued privately, only by a limited number of persons and corporations who have bank credit, and makes such credit subject to fee. Thus it establishes credit as a privilege rather than a right, and makes it an object of profit rather than a utility to further the production and distribution of wealth. It denies to producers generally the right to issue money, thus making it impossible to expand buying power to potential producing power. This results in defeating the mass production system.

b) It permits the government to issue unbacked money. The only way the government could back its money issues would be to go into the production of goods and services; and this would compete with private business. Thus the problem offers the two horns of a dilemma, both of which lead to socialization. If it backs its money issues with goods and services (and there is no other way it can be backed), it executes a frontal attack on private enterprise. If it issues money without backing it (as it is doing), it executes a flank attack on private business through inflation——since to issue money without creating equivalent values is to inflate.

c) It permits ambitious or designing or fanatical men who are in control of government to light the fires of war, threatening the lives and fortunes of untold millions. This terrible power lies solely in the political money system since armaments spring from money and money springs from government fiat, whereas it should spring only from the fiat of the people who would thus hold the veto power.

SOCIALIZATION THROUGH SPENDING

Government spending in all nations throughout the world is leading directly, through government ownership, to socialization and the destruction of private enterprise. It is not a triumph of socialistic ideology; it is simply a condition forced by the political money system. Our own government has become a "buyocracy" that operates a bureaucracy employing (December 31, 1943) 3,162,199 civil employees. These Federal employees, residing and operating in our states, outnumber the employees of each state government from three to six times. Our state governments, because they have not the money issuing power, are being subordinated to one centralized government and home rule is being impaired. Besides the 11 millions in the military and the 3 million civil employees of the government, there are about 30 millions employed in producing for the government, making a total of about 44 million persons working directly or indirectly for the government, leaving only about 30 millions in private enterprise and local government service.

The "buyocracy" at Washington is literally buying its way into control of our very lives. Yet there is nothing back of the money it so freely issues except what the people put back of it with their labors. The government, popularly believed to be the backer of money, is in fact the only one that does not back money. Except for postal service, there is practically nothing purchasable from the government with the money it issues. Even gold and silver cannot be bought from the government, and therefore these commodities are not back of its money. Private enterprise supplies practically all the backing that exists for our money. Since private enterprise is the sole backer of money, simple logic dictates that it should be the sole issuer.

When government issues money and offers nothing in exchange therefore, the issue is the same as counterfeit money, with this difference: counterfeit money can be detected and extracted from the money supply, while unbacked legal tender merely blends with all other money, making each unit weaker.

The Federal Government, through its "buyocracy," now holds mortgages on two million farms (1/3 of the farms of the nation) to the extent of $3 billions. It owns 2,500 war plants at a cost of $16 billions and comprising 1/4 of the nation's entire industrial plants. The H.O.L.C. and F.H.A. and F.P.H.A. own 719,329 city dwellings at a cost of $2,198,542,204 of which $1,883,543,602 is temporary war housing. Mortgages held on urban homes amount to $1,360,154,742. It is constantly acquiring new lands and properties. The following is from the Congressional Record, November 18, 1943, page 9767:

> "This total of 363,600,533 acres owned or to be acquired by the Federal Government is equal in size to the combined area of Maine, New Hampshire, Vermont, Rhode Island, Massachusetts, Connecticut, Pennsylvania, New York, New Jersey, Delaware, Maryland, West Virginia, North Carolina, Virginia, South Carolina, Georgia, Florida, Ohio,

> Alabama, Kentucky and Indiana. It represents 20% of the area of the United States.
> "From July 1, 1940 to January 30, 1943, land acquisitions totaling 14,884,244 acres have been acquired or are in the process of condemnation or purchase. This represents a total of 23,256 square miles, a land area nearly equalling West Virginia."

This land ownership (within the states and exclusive of the territories) held by the Federal Government, ranges from a minimum of .02% of the area of Connecticut, to as much as 76.3% of the state of Nevada. Lands and buildings held by the Federal Government become tax free, thus diminishing the tax income of the state in which it is located.

In his recent book, "Bureaucracy Runs Amuck," Lawrence Sullivan says:

> "Where shall we turn today to find the acknowledged area of free enterprise? Not in agriculture, surrounded completely by quotas, parities and soil-conservation allotments; not in housing, banking, amusements, insurance, electric power, medicine, labor or shipping. Through all its agencies, the federal government now is engaged directly in forty-six different lines of business activity. And through loans and liens, it has a proprietary interest in 77 additional economic pursuits. "Adolph A. Berle, Assistant Secretary of State, and one of the original brain-trust elders of 1932, thus presented the official logic of our march to socialism in his testimony before the Temporary National Economic Committee on May 22, 1939:
> "...If, therefore, wealth is to be created by creation of government debts, the scope of government enterprise must be largely increased. Briefly, the government will have to enter into direct financing of activities now supposed to be private; and a continuance of that direct financing must be, inevitably, that the government will control and own these activities. Put differently, if the government undertakes to create wealth by using its own credit at the rate of $4 billion or so a year, and if its work is well done, the government will be acquiring direct productive mechanisms at the rate of $4 billion worth a year, or thereabouts. Over a period of years, the government will gradually come to own most of the productive plants in the United States."

Continuing, Mr. Sullivan says: "When Mr. Berle uttered this sweeping prophesy, the federal investment in U.S. industry, transport and finance stood at about $12 billion. At the end of the fiscal year 1943 this investment stood at $37 billion."

It may serve the purposes of partisan politics for the "outs" to blame conditions upon the "ins." But the causes that are developing the federal government into a "buyocracy" are much deeper than administration policy. The political money system that began before the United States was born, and was given approval by the framers of the constitution, is merely beating the fruit of the parent seed and will not be altered by a change in administration. Crediting the present and all past administrations and all future ones with the most patriotic efforts within the political money system, it must nevertheless operate adversely to both government and people; and this statement applies not only to our government but to all governments. What is happening in America is happening all over the world. The political money system is forcing socialization everywhere and the only escape of private enterprise lies through the private money system which also offers the state its only security against ultimate public revolt. The dilemma previously outlined confronts statesmanship everywhere.

Approximately 60% of everything produced by the people today is being bought by the government. Therefore our current production is 60% socialized. To be sure, this is a war condition from which we hope to escape, but before we can escape, we must pass through the serious trial of inflation, during which our present money system may break down completely. But, no matter how much the dollar may depreciate through the process of government spending and lack of backing, the title to the property acquired thereby will remain with the government.

So let us get this clear: The issue between private enterprise and collectivism is not a matter of choice as long as the political money system prevails. If the government holds the money issuing power, it will either buy out the people and control them or ruin their enterprise system through inflation. If the people exert the money issuing power, they will buy the services of the government and control it.

The source and flow of money determine the social, economic and political outcome. The state being a single unit, its money issuing power develops autocratic control of the people, but money issuing power in the hands of the people develops——since the people are many——a democratic control of the state.

Therefore sovereignty of the people and democracy can be assured only if the people exercise their money power; and dictatorship in some form or other can be realized only by the government's exercise of the money power.

Consciously, or unconsciously, we align ourselves with either private enterprise and democracy, or with collectivism, as we take our stand in favor of either the private money system or the political money system.

If we would oppose collectivism we can do so effectively only by opposing the political money system. If we would uphold private enterprise and democracy we must do so by supporting the private money system.

In the play of propaganda there are many false passes. Let us keep our eye on the determining factor and not be diverted by dissembling phrases and ideological opiates.

As the inflationary crisis approaches, it is fortunate that we have the private money concept that this book presents. We can begin at once with a plan of reconstruction that will reverse the trend toward socialization and forever preclude future disturbances and the economic perversions that are inherent in the political money system. We can build a money mechanism that will coordinate with our mass production mechanism and thus give free rein to our productive capacity. We can assure ourselves that every unit of money is backed by value, and can thus prevent inflation and maintain a stable price level. We can not only abolish unemployment, but we can assure every worker the full enjoyment of his production. We can abolish booms and slumps and maintain constant production. We can end Government deficits and the insidious socialization that follows from it.

If we would accomplish all these things and thus perfect out private enterprise system and save it from imminent inflation and ultimate communization; if we would preserve the sovereignty of our states and our federal system of government, we must adopt a private money system designed as a utility, responsive to the needs of mass distribution. This is a challenge and a bid for private enterprise to vindicate its philosophy and perfect its operation and thus assure its triumph in its issue with collectivism.

FREEDOM AT LAST

We are really going to be free at last, because we are going to discover that the power of liberation is within us. We need only to comprehend our inherent money power.

Freedom means freedom to manage one's self and freedom from management by others. Obviously then, the political management philosophy, so prevalent today, cannot bring, but rather denies, freedom. It is racing to its doom; we are in the midst of a great revolution.

A new dignity is coming to us. From the wreckage that is being wrought about us, we shall emerge as commanders of our private lives rather than guinea pigs for political quackery. Every social problem, every national problem, every world problem is but the composite of the problems of individuals arising from the evil of external management and from interference with self-management. The individual has been thwarted in his pursuit of happiness; and the sum of these individual frustrations produces social convulsions. We have delegated, or been robbed of, too much power; we have exerted too little. We must have a democracy of private dictatorships.

Though our beginnings and our endings be inscrutable, we know that we exist in accordance with a natural plan. Is it not then the basest profanity to rest our aspirations upon man-made laws rather than those of nature? Could anything be more irreverent and vulgar than to entertain political promises which offer to provide for us from the cradle to the grave? Could we live and move and have our being if nature were planless? Why then are we beguiled by political planning? How can we, by entertaining the paternalistic planning of the would-be father-state, be so depraved as to imply an absence or failure of nature's plan? We are meeting a well merited rebuke in the failure of political planning that is falling upon us, a failure from which we shall be turned to introspection and respect for natural laws and the dignity of the individual.

This new-found dignity of the individual will renounce external support and assert the inherent power of self. It will reduce the state to the status of a servant and denounce its pretenses of being a patron and guide. So much power will be self-asserted by the individual that there will be little left for the state to exert. Such sovereignty of the individual will follow from the simple discovery that the money power is inherent in man and perversive when exerted by the state.

This truth we shall know and this truth shall set us free. This freedom, once won, will be the guarantor of all freedoms; the end of all tyrannies of every character. Parchment freedoms, political proclamations, charters and constitutions are hollow verbiage without money freedom——and with it, they are mere surplusage.

Assailing us from all sides, come propaganda, pretense, hypocrisy, incompetence and futility as the result of the malexertion of the money power by the state. We can, we must, we shall become masters of our inherent money power and thus assure tranquility, prosperity and happiness to ourselves and our fellowmen.

Turn if you will from the war's carnage; from statesmen's sterility ——from contemplation of the ominous aftermath——and visualize a community of men and women within the community of one of our American states, laying the foundation of a new world order.

Because a group of common folk in one spot of the earth shall have declared the principle that money power is inherent in man, and that money power is sovereignty, democracy shall rise from the blood-soaked earth to triumph over war and economic adversity.

Among the casualties of the war will be the national political money units of the world, killed or maimed by inflation. Born will be the new principle of private money for private enterprise; non-political, non-isolationist, non-manipulative and non-inflationary.

In one of our forty-eight states reside the pioneers of this new order——wherein the will of the common man to work and win in prosperity and peace shall not be defeated; wherein *man will govern government* and will reflect through it his impulses of honesty, amity, frugality and tolerance rather than be subject to its perversive power.

In one of the forty-eight states of this Union the leadership of the new America will give hope to a distracted world that humanity shall not be frustrated, and that the dictator, political, economic and financial, shall pass from the earth, leaving universal prosperity and perpetual peace.

This book is but a rough draft of the charter of freedom, prosperity and peace that will be projected by the men and women who effectuate its principles in action, in democratic dynamic action, with flesh and blood and mental resolve rather than with paper and ink.

CHAPTER 1
Money Mystery

The Heritage of Old-World Errors and Now the American Departure

Habituated as man has been in using political monies he has forgotten that money had its beginning in private enterprise——where the motive was merely the facilitating of exchange. It fell into the hands of government where it came under the motive of tax deception and public exploitation. It must be rededicated to its primary and natural purpose and to that end must be mastered.

How many wars could have been precluded, how much poverty and misery averted, how much further human progress would have gone had money never become a political instrument, we can only conjecture. However that may be, the blame for the detour cannot be laid upon the politician; since it appears that it was the business men who——when they found that the goldsmiths and silversmiths were cheating——petitioned the state to certify to the weight and fineness of coins. Ironically, they fell into the hands of a greater cheat——because the state made clipping of coins a major racket and developed short-changing into a fine art through repudiation and inflation.

The stream of political monies from the beginning to the present day runs deep and dirty, yet to suggest that money can spring from any other source is to surprise if not even to dismay. So has tradition dulled mens' senses. No matter how often the state fails to supply a virtuous money system, men rush back to it in desperation and beg it to try again. Indeed, until we learn that the money power resides in us, we must abjectly beg the state to give us an exploitative system because we cannot return to a moneyless civilization. Yet, no matter how often and earnestly the state tries to provide a true money system, it must fail because of an inherent antipathy between the money issuing power and the taxing power. A money issuer must be a seller who bids for money, not a taxer who requisitions it in whole or in part, as politically expedient and without a quid pro quid.

The early experience of traders with private money was naturally evolutionary. They were being led step by step, toward an unexplored path, toward a goal they could not envision. They only knew that simple barter was inconvenient and that the more it was escaped, the greater was progress and the development of wealth. They were fleeing from an impediment rather than pursuing an ideal for they were unable to conceive the money ideal.

Their first expedient to escape simple barter was to hit upon some common commodity that would be acceptable to most any trader and which would not deteriorate in storage. A number of such commodities were used, but it was natural that ultimately gold and silver would be selected as the best suited for the purpose. They were the most portable, because much value was represented by small weight, and they were not subject to erosion.

What had thus been accomplished was the adoption of a representative commodity, designated by weight or measure, to mediate the exchange of other commodities. Though a mediating commodity is not, and cannot be, money, it is interesting to note how the spirit of money crept in at this point, quite unawares. Let us consider the one mediating commodity, gold. There probably has never been a time in all history when the value of existing gold was more than one millionth of all values passing in exchange during one year. Therefore, it could mediate only an infinitesimal part of all values moving in exchange. Exchange acquired, as it had to, something additional to meet its expanding needs. This additional element was the spirit of money that attached itself under the urge for greater freedom and larger volume of exchange. Because the spirit of money has never been comprehended, the fetish of gold or materiality, as exchange media, in some form remains.

The spirit or purpose of money is to convert barter from a completed transaction into two halves—with one trader, (the buyer) receiving full satisfaction in value and the other (the seller) receiving the assurance of an equivalent value later from some trader. Thus simple barter, which is a bilateral transaction wherein both traders receive immediate satisfaction, gives way to money exchange, which is a unilateral transaction. A time lag intervenes before the seller receives satisfaction but he has the great advantage of choosing what he wants and from whom. To serve the urge for an escape from bilateral barter to unilateral barter was and is the function of money; and in its incipiency it operated unseen and unsung. It had to come, and did come, and is here; but it is still shrouded in superstition.

Trading continued on a bilateral or whole barter basis, oblivious of the money concept by traders. But money crept in and fulfilled its function of expanding exchange. After the practice of using silver and gold as barter media in terms of weight had become firmly established, the practice of depositing these metals for safe-keeping was developed. Thus metalsmiths, who received these deposits, issued warehouse receipts therefor. Then it was found that, instead of taking out and putting in the metal, the receipts themselves could be transferred. This was the beginning of paper money but only to the extent that the smiths by their cunning developed it.

They found that a certain percentage of metal remained in their possession continuously, and that it was safe to issue receipts or promises to deliver metal against non-existent metal——which receipts circulated as money. This was the birth of the banking business. Thus some receipts (those backed by actual gold) were bi-lateral barter instruments and those not actually backed were uni-lateral barter instruments or money, though traders were quite unconscious of using money. The smiths had created money by trickery and thus expanded exchange to the benefit of everybody.

For specie payments (i.e. actual delivery of metal) it was found that weighing and testing was inconvenient, so the smiths developed the practice of stamping the metal in certain weights and fineness. This was the birth of coinage and it permitted another trick by which money again entered exchange unrecognized by traders. The coins were either falsified by the smiths or "sweated" or "clipped" by others to contain less value and thus exchange was still further expanded through the surreptitious introduction of money.

Next came the bill of exchange invented by merchants to minimize the transportation of metal and this gave money another opportunity to break the straitjacket of bilateral barter. Basically, these bills of exchange were orders for silver or gold in favor of a merchant in another city, drawn against another merchant in the same city. But they tended also to circulate and thus permit the issuer to issue beyond actual power of specie redemption.

These examples illustrate how exchange was mediated in part by bilateral instruments (genuine certificates of deposit of actual values) and in part by unilateral instruments——money (based Solely upon common acceptance without reserve for redemption). True, the latter were products of cupidity and were executed by dishonest men but since men were unable to conceive money, there was no other way by which it could emerge and serve its grand purpose of expanding exchange.

By illusion and delusion, money had to break down the barriers of a bilateral exchange system and convert it into unilateral exchange, so that trade could be expanded. In doing so it followed a natural urge, because traders did not really want metal; they wanted exchange power—the power to acquire all commodities; not just one commodity.

It is interesting to note that the spirit of money, which is the spirit of facile exchange, brooded over barter exchange when it was trying to break its bilateral cocoon and emerge as unilateral exchange; and today the ghost of dead bilateral barter still hovers in the minds of some men, in that they try to restore the butterfly to its bilateral shell. They speak sneeringly of "fiat money," not realizing that money can exist only by the fiat of the issuer and that a money instrument is money only in so far as it has no intrinsic value.

So, unable to visualize money as an accounting concept, they cling to the fetish of gold, ever trying by various devices to stretch it to reach the heights of soaring money. These devices range from raising the so-called value of gold to fractionalizing the reserve and finally resorting to debt pyramids that have the most nebulous relation to the magical lodestones presumed to be buried underneath it——a lodestone to which, in actual practice, the man in the street gives not the slightest thought. While he does not understand money, he does not misunderstand it as the so-called authorities do.

While money long since has functioned as a representative of value in all commodities, the superstition still exists that it represents the value of but one commodity, gold or silver and at a fixed price. The absurdity of the standard of value superstition is instantly seen when one realizes that the so-called "value" of the standard commodity is an arbitrary price set by the power of the money unit which is supposed to be supported by that which it supports. The tail is made to wag the dog. Thus, the commodity chosen as the "standard" does not back the money unit; the money unit backs the "standard" commodity. If the money unit were not a power in and of itself, it of course could not raise the price of gold or anything else. The thermometer does not control the weather.

It is evangelical to denounce those dishonest souls who have led us by illusion and delusion into the use of money as a valueless accounting device while we were still clinging to a material concept, but it is not realistic to do so. Without their cunning (in the absence of money mastery) we could not have advanced. This is not to say that such practices should be encouraged; but rather that we should become so intelligent that they are no longer necessary. They involve a parasitism which should be dispensed with——but, in the absence of an intelligent approach to the subject, it is better that we be deluded into exchange, even though it supports parasites and exploiters, because exchange is the neck of the bottle in the productive consumptive cycle, and is therefore the final determinant of human progress. Exchange must be expanded by fair means or foul; for society cannot stand still, and can progress only by expanding exchange.

There was no comprehension of money while it was still a private enterprise medium, but there is reason to believe that tradesmen would have found their way before this, because they were at least actuated by the right motive, namely, the pursuit of a means of facilitating exchange, which is money's sole purpose. When, however, money experimentation fell into the realm of politics the motive changed to suit the purposes of those who used the state for private advantage and thus, for hundreds of years, money has followed the political tangent that leads only to frustration. When, by assuming the control of money, the state intervened in private enterprise, the latter became and remains the political enterprise system and can never be truly private and fully serve society until the money power is recovered from the state and operated as part of the private enterprise system. But before this can come we must master the money concept.

FRUITLESS SEARCH

Ten years ago, after fruitless search for a money master, we read the public statement of a well known monetary economist that there were only "a few persons in the world who understand the meaning of money." We asked who they were and received the names of 13 Americans and 5 Europeans. Of these international authorities we succeeded in getting the consent of 6 Americans and 2 Europeans to enter a symposium to be presented to Congress which was at that time debating money theories. We submitted the result to the Senate Committee on Banking and Currency and, on June 9, 1934, wrote a covering letter to that body from which the following are the concluding paragraphs:

> "The total of 176 answers to the 22 questions showed such contradictions, inconsistencies and disagreements that we feel it a patriotic duty to state that there appears to be no understanding of the subject of money either among contributing authorities or among others whose writings we have studied. No clear principles are established; projected theories are not demonstrable; the basic concept for the construction of a monetary science seems lacking.
>
> "The meaning of money is yet to be revealed, its mastery is yet to be proven, the power of laws to direct or control it is yet to be demonstrated, the medium to implement it is yet to be developed. The people should no longer be misled by abracadabra and psuedo-profundity. There must be a break with the past. New thought must challenge the prevailing hypothesis."

The same year there appeared a book by Montgomery Butchard, an English author, entitled "Money" which the author describes as "Selected Passages Presenting the Concepts of Money In The English Tradition, 1640 to 1935." Approximately 200 named and anonymous authorities are quoted. Reviewing them, the author concludes with these words :

> "What does this book 'prove'? In any narrow or positive sense it proves, I hope nothing. But if the passages illustrate anything it is the broad and negative thesis that in the history of English writings on the nature and function of money there has been from the earliest times to the present no observable advance."

With this conclusion we fully agree. The following year, the same author turned from the orthodox authorities and examined the so-called new thought on money. His book is titled: "Tomorrows Money By Seven of Today's Leading Monetary Heretics." They are, Silvio Gesell, Arthur Kitson, Frederick Soddy, R. McNair Wilson, C. H. Douglas, G. D. H. Cole and Jeffrey Mark. This is the author's concluding comment:

> "The seven theories agree, by direct assertion or by inference, that measures of monetary reform will at least initiate the remedying of our economic and social ills, and that these monetary measures should include at least:

1. Public (communal, national) control of money and monetary policy.
2. Public control, direct or indirect, of prices."

Thus the so-called heretics still wear the mantel of orthodoxy ——because the two measures stated are cardinal to all money theories heretofore extant, and both are false. America too has many sincere would-be money reformers, and some accused of heresy, but all, so far as we know, accept the false premise that government must issue, control and manage money and prices. Thus their efforts are innocently devoted to various schemes to improve upon perversion. *Government should not issue or control money; and it is not the function of money to control prices.* Money is a neutral agent whose sole function is facilitating exchange, and not influencing prices in any way. Our English contemporary must look to America for heretics, and, we believe, will find them only in the Valun school of thought.

Americans think in the English tradition, which is no better and no worse than any other, for they are all alike in fundamentals. There has been, until now, no independent American approach to the problem of money. By strange coincidence, in the very year that Americans declared their political independence of England, an Englishman, Adam Smith, put them under a mental subjection that still holds sway though it is utterly inconsistent with our Declaration of Independence and our political principles. The father of Political Economy states its purposes in "The Wealth of Nations," thus:

> "Considered as a branch of the science of the statesman or legislator, Political Economy proposes two distinct objects. First, to supply a plentiful subsistence for the people, or more properly to enable them to provide such a revenue or subsistance for themselves; secondly, to supply the state or commonwealth with revenues sufficient for the public services. It proposes to enrich both the people and the sovereign."

Here is written, and by our schools accepted, the bald paternalistic and autocratic principle which we denounce in all our political declarations and which must be renounced if man is to attain his true dignity and freedom. Yet it dominates our practices more and more as we flounder in our perplexities. We divide only on the degree of paternalism and government management of our lives that such a philosophy provides, not on the principle. By this theory the government and the people are set up as separate entities; with the government as a sovereign patron of the people. How can the government (which, under the American political philosophy, is nothing but a creature and dependent of the constituency) "supply a plentiful subsistence for the people" or how, except by leaving them alone and not burdening them with taxes, can it "enable the people to provide such a revenue or subsistance for themselves"? How can man be a dependent of the state? Does the citizen tax the state? Is not the state merely a corporation created by man to render services at a price and must not that price be paid by the citizen to the state? And is not the ability to pay such price, for such service, conditioned upon the citizen's free and untrammeled power to carry on his production and exchange enterprises? If we fall under the delusion that economic betterment can be gained by means of a power inherent in the state are we not unwittingly on the path to communism and complete frustration? Is not the doctrine of Carl Marx but a logical extension of the theory of Adam Smith? How can we accept one and quarrel with the other? Once we accept the principle of paternalism, how can we defend the principle of the sovereignty of man? From these false theories that we have borrowed from the old world has sprung the idea of managing the people by money and we have accomplished nothing but perversion and gross miscarriage of our wealth producing capacities, and nullification of the inventive genius of our scientists that might have carried us much further had we a money science capable of distributing what they have shown we are able to produce. It is the state that must be controlled by the citizen through his money power; not the reverse. We have tried the impossible experiment of combining in the state a political democracy with an economic autocracy; the principles of Jefferson and the principles of Adam Smith. Political democracy cannot work without economic democracy; and the money power is the franchise of the latter.

If America is to vindicate her leadership of political theory she must also provide leadership of economic theory; and the two must be in harmony. Such dual leadership means casting traditional economic theories to the winds, just as was done with traditional political theories.

POLITICAL ECONOMY A FICTION

Political economy is a fiction. Economy can have but one sphere, namely, in the practice of the individual. Political economy implies that the state can have a separate existance as a creative force, whereas, it is but one of the instruments of the individual's economy. All wealth—all economic planning—can spring only from the individual for his private guidance, and in him resides both the political and economic power. The ballot is his instrument of political power; money his instrument of economic power and the former is futile without the latter. He is a dupe who believes that government can be both his servant and his patron, i.e., that the state can develop an economy to enrich him. He must govern government as he governs himself; and he must provide for government as he provides for himself. Any power existing outside himself is only that which has been delegated by him, or has escaped from him; for he is the one and only power-house. He cannot delegate his money power, if he would, because it is inseparably linked to his buying wherein he must exert his private discretion. To issue money, one must buy, to buy, one must appraise. Hence, the money issuing power is undelegatable and unusurpable.

Assertions such as these can be reconciled with the American political theory of democracy; the old-world political and economic philosophy of divine right and descending blessings, cannot thus be reconciled. We are doomed to failure in our political experiment unless we declare our monetary control of both the state and our private affairs and this can be done only by the separation of money and state. Man's natural money power cannot be vicariously exercised in his behalf; he must either exert it or suffer the exertion of a money power adverse to his interests. The only freedom we have retained against the encroachments of the state is the freedom to struggle against perversity. If we use that freedom intelligently we will overthrow the political money power and attain money freedom, the guarantor of complete economic and political mastery. It is utter folly for us to imagine that we have freedom when the very life blood of our private enterprise is controlled by government and our political power thus nullified.

Money like everything else, began in private enterprise. It must be an exclusive instrument of private enterprise untouched by the state which is a public enterprise outside the sphere of competition, securing its income not by the necessity of winning patronage but by tax impositions and therefore not qualified to exert money power. Had the early businessmen realized this, money would not have become a political instrument; and untold miseries, revolutions and wars would have been averted. It is for us now to rescue it, and, to do so, we must lay hold firmly with our minds on the theory before we put our hands to the practice. That is the purpose of these studies.

As we close this chapter on the past let us bury the fetish of value in money. The banker sneers at "fiat money;" the layman sneers at "fountain pen money," thus betraying the universal ignorance of money.

The purpose of money is to obviate the transference of value one way in exchange. It substitutes credit for value, but the credit is social credit, i.e., it rests upon the common creditability of the trading community. The money instrument, however, springs from the fiat of the issuer, a fiat that asserts that the issuer is, under the money pact, qualified to issue. The actual creation of money instruments can take place only by fountain pen——using that term to include all graphic processes. Thus all money that has ever existed or can exist is fountain-pen-fiat money.

Any valuable thing, such as metal in coins, is not money——it is commodity, and to the extent of its value displaces money in the coin. Money is a memorandum, a credit instrument, a bookkeeping device to effect split barter and is money only to the extent that it obviates delivery of value by the transmitter.

Since all money is fountain-pen-fiat money, the only question we have to decide is whether its issuance shall continue to be the special privilege of a few or the right of all. By such decision we determine the fate of humanity.

CHAPTER 2
How Money Dominates

How the Political Money System Perverts All Economic Activities and Political Policies and Breeds War

As has been stated, the purpose of money is to split barter into two parts so that the seller is free to find his source of supply later and elsewhere. This is the sole purpose of money. Any effort to use money to serve another purpose is perversive, and this statement condemns the entire managed money philosophy.

In a succeeding study (No. 5) we will have a complete definition of money. At this time an effort is made to bring our minds into accord, as to the source of money, by the following challenging statement:

> There has never been and can never be an issue of money except by a buyer in the act of purchase.

Any effort made to refute this statement (and strong effort to do so should be made) will bring a great clarification of the subject. But we must understand what "issue" means. Paper and ink or coinage do not make money. These are but evidences of *intent* to issue. They have no more significance than writing a check and leaving it in your check book. No *actual* issue can take place until there has been an *exchange for value*. In other words, issue is not effected until accepted by the seller who surrenders value therefor. Issue is solely a concomitant of purchase, and inseparable from it. This being so, it follows that there can be no such thing as political power to issue for the community; no vicarious money power. To issue money, *the issuer must buy*.

When a government issues money it exerts merely its *economic power to buy* and not its *political* power. A government's political power over money is purely negative, in that it fails to sponsor the economic power of others as buyers to issue money. When it grants subsidies or pensions or any other benefits, it merely relaxes its negative power and sponsors the power of the recipients to issue money to the extent prescribed. No issue takes place, however, until the recipients of the alloted money power issue it by some purchase. Government cannot grant the issue power to the citizen; it can merely give sanction to the natural issue power which resides solely in the buyer, and which he can assert without sanction by the use of a unit other than the government unit. Nor can the citizen delegate the issue power to the government; it cannot be delegated or conferred, it is inherent in the buyer. The prohibition by government against the private issuance of money applies solely to the political unit; there is no prohibition against the private issuance of a private money unit.

If it is a fact—and it is—that money can spring into being only from a buyer in the act of purchase, and that no one, whether government or private individual or institution, can issue money for another—we are obliged to answer this all-determining question:

> Which buyers shall be permitted to exert their natural money issuing power; and which shall not, and why?

We will deal with this question when we reach the constructive part of our study. The purpose now is to show that the question has been answered in the political money system, thus:

> The national government is the only buyer that by right can issue money and it can release the power in others at its discretion.

So we see that the political money system follows the divine right theory and ignores natural rights. It is by far the most subjecting tenet of autocracy ever asserted; and the denying of it offers man the greatest liberation ever attained by the assertion of human rights.

Let us trace the consequences of this, the postulate of the political money system. Having asserted exclusive money issuing power, the government is immediately confronted with problems inevitably springing from a false premise. The first is:

> How can the constituency support the state without private enterprise and how can private enterprise function without money-creating power?

Obviously, this exclusion, unless modified, defeats politics as well as private enterprise. The state, by its own spending, provides some circulation, giving to the recipients of its patronage the power to release, by further buying, what money they receive therefor. But this is not enough for the economy. Some additional supply must be created. By the postulate of the political money system the entire nation of citizens is declared incompetent to issue money——yet, since the state can issue money only by buying, there is not (unless the state goes extensively into industry) enough money for the economy. What is the solution of the dilemma?

By a mental quirk the conception is hit upon that although a citizen is not responsible enough to create political money, he may be competent to create substitute or credit money. But this brings another problem. How can the state, which professes to be democratic and impartial, grant credit to some and deny it to others? A solution of this problem is found by delegating to bankers the power to "loan" at their discretion; and laws are passed to authorize them to permit business men to "borrow" and thus create, not political money, but a substitute private money. By this process the state hides behind the banker, and escapes the political embarrassment of separating the sheep from the goats. The banker thus becomes a sub-autocrat over private enterprise, and a double standard money system is created, i.e., a primary and secondary or substitute.

In the process of "loaning," the banker authorizes the "borrower" to create private bank dollars; but the note evidencing the "loan," the deposit created thereby and the checks drawn against the deposit, all use the simple word "dollar" without qualification. Thus private or substitute dollars and political dollars become mixed in bank deposits and a double standard is thus established though without differentiation on the banks' books, thus bringing a train of delusions.

Since the government does not provide the banks with political dollars to loan, the banker must utilize promise-to-pay dollars; but these are based on false representations——since there are not, of course, enough political dollars available to make good the promises to pay political dollars. Having, however, given the banker a monopoly on the business of licensing business men to create substitute money, the government finds it must put a limit upon the banker's avarice and accordingly provides usury laws. But the banker is under no law *requiring* him to "grant loans"——while business is under the necessity of seeking loans. Hence——to induce the banker to make "loans" ——other considerations are offered, and this explains how the banker gains a powerful position in industrial and mercantile corporations. The political money system, we shall see, is the creator of the very monopolies the government professes to be opposed to and against which it passes futile laws.

What actually exists, though arrived at by error rather than design, is a conspiracy between the government and the banking interests to put private enterprise in a position whereunder it must pay tribute to the money lender to gain the exchange power it needs to function, and which, if it were intelligent enough, it could provide for itself without consent or tribute payment. This conspiracy develops an aristocracy of business, composed of those who are recipients of immunity from the prohibition against the assertion of money power. The grant of immunity comes from the throne, vicariously issued through the banker. This aristocracy, by reason of the competitive advantage it enjoys (due to a money power it is permitted to exert, but which is denied to others) throws the burden of the cost of the tribute system upon the ostracized part of the community. Thus competition becomes perverted——producing a perverted enterprise system.

As we have seen, the political money system consists of two wings, the government and the banks, and two kinds of money, political and private substitute. Let us examine its functioning. Assume first, a government of limited functions and expenditures and a balanced budget. Such government creates through its expenditures an amount of circulation that is inadequate for the economy. The deficiency must be supplied through the banks (insofar as they permit) and thus a conservative government magnifies the importance and power of the banks.

MYSTERY DISPELLED

There has always been a mystery about the banking function but it is very simple. The banker is authorized by the government, within limits, to "loan" money to "borrowers," and this involves the following process: The bank credits the account of the borrower with a sum as a deposit against which the borrower may draw checks which will be honored by the bank on presentation. The bank holds a claim upon the borrower for the amount of the loan, plus interest, which is payable at a later specified date. As the borrower writes checks he creates *private substitute money* which, with any unused credit remaining in his account, is sufficient to meet the principal of his note when due——provided he can retrieve the money he has given out before that date. He does not and cannot, however, create the sum necessary to pay the bank its interest. This sum must come, if at all, from the supply of political money.

The idea, therefore, that the banker creates money is upside down. He actually depletes the money supply of private enterprise by setting up against it an obligation to deliver a sum (the interest) for the creating of which no power has been granted to the "borrower." To illustrate: assuming the annual rate of discount to be 6%, the banker credits the account of the borrower 94 and holds his note for 100. The deficiency of 6 cannot be created by the borrower and must be extracted from existing money supply, which can only be political money since the deficiency in substitute money exists also in all other bank loans. Thus at a rate of 6%, the banker creates over a period of ten years a 60% deficiency between the money created by the loaning process and the sum of the debt incurred thereby. This deficiency is held in suspense during the illusive "boom" phase——but manifests itself when the call or "depression" phase occurs. It is plain, therefore, that the banking system is the manufacturer of the business cycle of boom and depression that develops through the positive action of loaning and the negative action of calling loans. It is also plain that its basis is a conspiracy between the state and the banking system against private enterprise, since the banking business and its function are the result of government's assertion of money monopoly, and of the denial of money power to private enterprise, except as licensed by the banker on the perilous basis just outlined.

Contrary to popular belief, the banker is neither a money creator nor a money lender. He merely profits from the ignorance of businessmen by charging them for authorizing them to create money, a function that is natural to the buyer and which he can exert without cost if he is intelligent enough to form a reciprocal enabling pact with other buyers. The process involves no cost and, therefore, justifies no fee. Since the money is created only by the act of buying, the banker, of course, does not lend it, and since he is not the buyer, he does not create it. Money cannot be loaned or borrowed until it has been created by the act of buying. Therefore it is correct to say that a savings bank makes loans, but a commercial bank makes no loans. It merely permits "borrowers" to create money, thus increasing the money supply. Non-banking corporations, individuals, pawnbrokers, etc., loan money from the existing supply. Therefore interest may be justified in these cases of actual loans, whereas, it cannot be justified where the "borrower" is the actual creator.

Political policy may vary the effects of the political money system, but it cannot bring virtue out of a vice. In the foregoing example we assumed a conservative government policy which resulted in magnifying the power of the banking system over private enterprise with its evils climaxing in the deflation phase of the business cycle. Let us now contemplate a spendthrift government policy.

SPENDTHRIFT FISCAL POLICY

By emitting large sums of money through public works and bureaucracy and extending loans and distributing bonuses, subsidies and benefits—the state relieves the economy's need for petitioning the banker, but this does not dispose of the banker. It merely alters his status; since the government loans, that create new money, still go through his books. It may seem absurd for the government, which has declared itself the sole fountain of money, to go a-borrowing to the banking system which it has created to authorize the creation of substitute money, but political expediency dictates this course. Having, by its spendthrift policy, diminished the banker's private loan business, it must provide for him. By going through the motions of "borrowing," the government provides for the banking system a subsidy without which the system would collapse—thus causing economic hardship, since the banks serve a very essential purpose in check clearance. So the government, which is the sole money authority, goes through the make-believe of borrowing from the banks—even though it could write checks on the Treasury with the same force and effect as if drawn on a bank depository.

This process—of going into debt by the government—produces an entirely different effect from incurring of debt by private "borrowers." A private "borrower" can produce only private substitute dollars by the promise-to-pay process. When the mixture of substitute dollars in the pool of political dollars reaches the saturation point and the banks begin calling "loans" and depositors begin demanding cash, somebody is bound to be caught short. These are usually the marginal enterprisers who, being on the outer fringes of the banking perimeter, must default to their banks (which are usually the smaller banks) thus forcing them also into bankruptcy. Thus money supply is diminished by wiping out deposits, depression is suffered for a period, bank competition is reduced and the cycle renews itself by a new season of bank "loans." Not so, when the government does the borrowing and distributing of money.

The private borrower-spender creates substitute dollars which mix but do not blend with political dollars. Sooner or later they are extracted by the process of deflation and bankruptcy. When the government borrows it pledges itself to supply currency money on demand and as it creates additional money supply. The new dollars blend with the old, making a new or weaker unit. Being the sole money power, the government has unlimited power to create additional supply, but, under a natural law of money that it cannot suspend, it automatically reduces the power of each unit in the market place unless there is an equivalent goods supply. In no event, however, is there any hazard by banks in "loaning" to the government; since, regardless of how much the unit falls in power, the same affect is had upon the bank's deposit liabilities as upon its "loan" assets. In other words, there is no double standard of dollars and substitute dollars when the government "borrows", for the government can print and deliver any amount of cash demanded. Thus the old and new dollars are indistinguishable from each other and are of the same power. Therefore no public or bank panic can arise to precipitate deflation and hence there is no safety valve in political inflation as there is in bank credit inflation.

Only one action can bring deflation from political inflation. That is the deliberate purpose of government to do so by switching from a deficit budget to a surplus budget, thus making a net deduction in the money supply. This being politically inexpedient, the nearest approach to a corrective that may be expected is a discontinuance of added inflation by the adopting of a balanced budget policy.

END OF BANK CREDIT CYCLE

In the political spendthrift policy, banker profit is no longer the motive of money expansion, for the banker is now reduced to a subsistence rate of interest and loses all opportunity to gain commercial and industrial ascendency; since his loans are no longer to private enterprise but to government. Political expediency ——rather than profit——is now the criterion; and in acting as dispenser and lender of money, government gains direct control of private enterprise.

Pressure groups now form and march on the nation's capitol, and money power is distributed under the vague profession of being in the public interest——but is always received by particular interests. After this process establishes a definite trend, we see how the political money system reacts against the government with a disease that endangers both the state and private enterprise. This is the disease of inflation.

Because it requires super-human courage to deliberately reverse the inflation by adopting a surplus budget——or even to arrest it by a balanced budget——only two courses lie open to the government. These are, (a) to continue the inflation until the money unit is destroyed and the economy is thrown into chaos and thereafter adopt a new unit, or, (b) take over private enterprise and by summary process destroy exchange; in short, adopt communistic dictatorship.

Thus we see that private enterprise is constantly in the throes of one type of cycle or another. The banking cycle inevitably follows from a conservative government policy; and the inflationary cycle inevitably follows when the government acts as the money provider. The private enterprise system is merely a football that is kicked by banker or government and the goal posts are cycles of one type or another. In either process there are large segments of the community that are touched but little by the flush phase of the cycle; they are in want in both types of cycles and both phases thereof because they are not permitted to invoke the money power in either case.

The very essence of the principle of private enterprise is the power to acquire and dispose of property. Since to acquire or dispose of property requires exchange and since the government or its creature, the banker, may veto exchange by withholding the exchange media, it can be seen that there is no private enterprise system in the full sense. Ours is, and has been from the beginning of political money, a political enterprise system, completely dominated by government directly or through its satellite, the banking system.

There is an analogy between the patent granting power of government and its money granting power. When a citizen invents a device, the government grants him, through the patent office, a monopoly on the sale of it. When a citizen produces anything, he is at liberty to use it; but, if he wishes to sell it, his ability to do so is dependent upon his ability to find someone who has the money. Since buyers can have only such money as the government distributes through its purchases, loans and gifts (or such substitute money as its creature, the banker, will authorize) it may be seen that buying is subject to grant, just as, in the case of a patent, selling is subject to grant. In the case of patents, the patent holder is the grantee of veto power; in the case of money, the banker is the grantee of the veto power. These two are the breeders of our monopolies and of the two, the money granting and vetoing power is by far the greater. It in fact makes possible the acquisition of the patent granting power from inventors who, not having money power, are obliged to sell to those who have. The government, which promulgates laws against monopolies in restraint of competition, is itself the author of these twin creators of monopolies.

The political money system cannot help but operate adversely to the small enterpriser because his capital resources, on which banking credit is based, entitles him to such a small credit that the process of qualifying involves an expense far out of proportion to the possible interest income for the banker, and his profit possibilities are too limited to excite in the banker desire for participation. Therefore, probably 95% of all enterprises are below the banking line. The usury laws are, in effect, laws against loaning to small enterprises because they confine loans to sums that are profitable at the maximum rate stipulated. Thus enterprisers are divided between the aristocratic-monopolists and the ostracized "untouchables." While the little fellows must engage in cut-throat competition, the big fellows have only a modified competition. To get from the nether to the upper level, the investment banker offers to smaller units the escape of amalgamation and thus he sits in on the profits and management of the new aristocratic corporation which thus acquires a competitively privileged position over the remaining nether group. Thus the political money system forces bigness as a means of survival. To be little is to be excluded from money power.

Unless we find a method whereby each enterpriser shall be able to create exchange power commensurate with his size, we practice only sham competition and make a mockery of so-called free enterprise.

It must be obvious to any thinking person that our progress from primitive to modern standards is due entirely to the specialization of labor and that specialization of labor implies the efficient producing of commodities that are not directly usable by the producer. This implies the necessity of facile exchange of products between producers, and that production can only be as profitable as exchange is facile. Therefore; whatever limits the facility of exchange limits the efficiency of production since production beyond the capacity of exchange is waste.

EXCHANGE IS BARTER

Exchange proceeds by barter, always has and always will, since values will exchange only for values. The introduction of money into the exchange process is merely to split barter into two parts so that each part may seek and find its reciprocal. Thus we see that we do not abandon barter; its essence remains, only its operation is improved. It would be shocking to our sense of freedom if the government, or a creature of government, should try to make whole barter transactions subject to special permission. We would denounce it as intolerable tyranny. Why is it that we tolerate the idea that split barter can take place only when the trader holds a certificate (money) issued or authorized by government or a substitute certificate issued by a banker? Why is it that a whole barter transaction needs no license, while a half barter transaction requires it? Why is it that a shoe maker and a pants maker can exchange their products without interference, but if they wish to buy one another's products by means of money, they are subject to a veto power?

How can we possibly develop the full inventive and productive genius of man when such a veto power exists over private enterprise? How can there possibly be free competition and fair play when the power to defeat it lies in the hands of political usurpers and their grantees? How can a government, however well disposed, possibly provide money for private enterprise since, as we know, it cannot issue it without buying, and the more it buys the more it invades private enterprise and develops state ownership? If the producer of wealth cannot invoke the money power to exchange that wealth, is not wealth production hampered and need we seek any further for causes of our economic and political maladies? Is it extravagant then to say, that our economic and political ills are all traceable to our false money system? Why must our genius for increasing production be forever thwarted by man's inability to requisition his production into consumption?

The political money power which involves an unnatural function of the political system asserts a dictatorship that perverts not only business but government itself——as autocratic power must always do. It is idle for us to debate the comparative merits of democracy and dictatorship when the die is already cast by the government's usurpation of the money power. The ability of the citizen to control the government simply does not exist while he is put in the position of a suppliant to such government. Since money is indispensable to us and since government controls money, we must beseech the government and thus we are subjects——not citizens. This process of winning governmental benefits begins as paternalism; but, as larger numbers seek to secure special favors, its paternalism develops either into communism or political and economic convulsion. We cannot be freemen as long as we are money slaves; and under the political money system our subjection becomes progressive.

MONETARY AUTOCRACY

Compare the states of the American Union with the Federal Government, and the virtue of government without money power, and the vice of government with that power, is apparent. Yet the states are not entirely without money power——since they can create substitute money through the banking system, just like private corporations. But this power is limited, because the banker is under the same caution and hazard when loaning to state and local governments as when he loans to private borrowers. They become hazardous risks if they maintain an unbalanced budget.

The states are really nations that have mutually agreed to waive their rights to raise tariff and trade barriers, coin money and make war. They never intended to surrender their sovereignty to the Federal government and of course, under the ignorance that has universally prevailed, never realized that in surrendering the money power to the Federal government they were impairing their sovereignty and subordinating themselves, nor did Alexander Hamilton and his contemporaries contemplate such eventuality. But it turns out to be so.

A money power government inescapably draws power to itself at the expense of those that have surrendered this power because the money power, as we are now finding out, is a very deceptive taxing power. A non-money-power government must, at least, approximately balance its budget and to do so must levy obvious and painful taxes. Thus the constituency, conscious of the cost of government, holds such government in check. Also, since such government is not a fountain of money, it is not the object of money pressure groups and hence does not develop bureaucracy.

Contrast this with the Federal government which is the money sovereign. It is the fountain of money, and can emit money without regard to tax levies, and therefore is not under effective taxpayer restraint. It can also meet any call for funds by money seekers, and of course it attracts them. With the constant bids it receives for grants or loans or subsidies or expenditures it is in position to win concessions from the petitioners; and becomes the logical overseer of such funds, developing naturally a bureaucracy and assuming more and more governing functions.

If it decides to distribute the costs of a program over the states, these states must raise their share the hard way through taxes, while it provides its share the easy way, by merely borrowing and increasing its deficit. If it were obliged to present the bill promptly to the taxpayer, as the states must do, the taxpayers would protest and end the largess. But the taxpayer is kept under the illusion of getting something for nothing until a later day of reckoning. The policy of deficit financing, which is a policy of partly deferring taxes, has been going on for twelve years with pyramiding effect. It cannot now be stopped short of collapse. The unlevied taxes which constitute the deficit will break upon the citizenry with catastrophic suddenness through the process of inflation, leaving them bewildered as to the cause. Yet inflation, in its runaway phase is but the breaking of the tax dam that is hidden behind the deficit. Through higher prices the people must pay their delinquent, though unlevied taxes.

What we have in the United States is 48 democracies crowned by a monetary autocracy that is subordinating these democracies and their citizens by its money power. It is a law and power unto itself. Both the citizens and their state and local governments must approach it hat in hand for it controls the life blood of the nation. It is imperiling both the economic and the political structure.

Political government is a social system where under the citizen, in whom the primary sovereignty resides, surrenders a part of his natural freedom in exchange for real and fancied benefits; but the well-spring is always the citizen and the flow of power cannot be reversed. This is the democratic ideal. Under the American system our states are the repositories of sovereignty from the citizen and in turn confer powers upon cities and other local governments within the state. In entering the Federation, the states surrendered certain powers to the national government— but not with the intent of subordinating themselves. What is it then that has subordinated them and magnified the powers of the Federal government? It is solely the money power which not only subordinates government but the citizen himself because money power is sovereignty. Take away man's money power and he has lost his sovereignty for he becomes a suppliant instead of a master. Let it repose in one government and not another and it will inevitably subordinate the one without it. Money power is the very essence of sovereignty and the failure by the citizen to assert it renders democracy futile.

MONEY POWER IS WAR POWER

The war making power of the U. S. Government and of every other national government is beyond the control of their citizens solely because of the political money power. How could Germany, Italy and Japan have prepared for war except for the deficit-making or money-fabricating power? In short, how could any people be brought into aggressive war except by financial deception? Can war be planned or carried out on a cash basis unless the people are in favor of it? Certainly not. The money power is the war power; and the appetite for war in politicians is created by their frustrations in their domestic affairs——frustrations that are the result of the impossibility of operating a successful economy under the political money system. The political money system starves productive enterprise but finances lavishly the destructive activities of war.

If the government were obliged to come to the people for money instead of vice-versa, the people would keep government under control and operate their economy satisfactorily with prosperity and peace resulting. The peoples of the nations do not make war. For them peace is the natural and permanent order. Wars are planned and perpetrated by politicians and their diplomats; and the money power of government is the means by which the people are maneuvered into wars

This does not imply that wars could not occur if the money power were exclusively in the hands of the people. It means that the veto power would be in their hands and the purpose of the war must be purely defensive, since it is inconceivable that they would finance aggressive war.

So, summing up, we find that the political money power makes constant economic war upon us; and, in the extremity of its frustrations, it takes our blood in military war. Old men suffer a life time of trials from it; young men suffer death at its hands.

Let this be said as an indictment of ourselves and our ignorance ——and not of the motives of the men who run our governments. They (with few exceptions) are deeply concerned with the problems of private enterprise and public service and peace, and strive earnestly to make democracy work. We would not impugn their motives, but we would point out their follies and their failures. They, as well as private citizens, are victims of a system that could not work to the benefit of the state and industry even if the law makers and administrators were endowed with the wisdom of a Solomon and the virtues of a saint. Good motives are no justification for the violation of natural laws.

We have not even made a beginning in democracy by merely putting at the disposal of man an occasional ballot to choose who should he his governor under a system that is inherently paternalistic and autocratic. Man must have untrammeled command of a daily—— an hourly ballot which he casts in the market place to support the things and services he desires and which he withholds from others and which he transmits to the state or denies it according as it merits his patronage. He must have the power to create this money ballot in a measure commensurate with his power to produce and serve his fellow man without hindrance from his servant, the state. The moment we limit or thwart or bias this money power, which is natural to man, and the very criterion of his sovereignty, we pervert democracy beyond the power of any political ballot or any parliament to remedy. Money power cannot be separated from democratic power without miscarriage and ensuing frustration—— political and economic. Democracy implies the sovereignty of man; and, since man cannot be sovereign without the money power, there can not be democracy under the political money system.

Until, through the assertion of his money power, man can requisition from industry all he produces, and put government under his direct patronage, human aspirations will be unattainable.

Since to create or issue money is to buy, and there is no other way money can spring into existance, the government spending program leads inevitably to government ownership and dictatorship and citizen disposession and subjection. The challenge is clear. Either we shall assert, through our money creating and buying power, mastery over our economic and political affairs, or the money creating and buying power will continue to be asserted by government to our utter degradation.

CHAPTER 3

The Coming Crisis

The Threatening Inflation Chaos and How to Avert It

After 12 years of sewing the seeds of inflation, we must now reap the harvest. By examining the causes and effects of inflation we shall be able to meet the coming crisis with the minimum of hardship.

Inflation means the creation of money units without commensurate creation of wealth. The release of inflation, i.e., the affect of inflation, is to raise prices when the expanded money supply meets the goods supply in the market. We have been creating inflation for 12 years by increasing money supply out of ratio to goods supply, and during the past three years we have even diminished civilian goods supply while accelerating the increase of money supply. We have, however, as yet, released very little inflation, i.e., very little of the excess money supply has gotten into the market place. This means that we have been restraining and storing it, thus creating an explosive situation.

To understand the present political inflation, we must distinguish it from so-called bank credit inflation. When, as has been pointed out, substitute dollars are created through the banks, it is not the banks but the borrowers who create them. The borrowers in writing checks, create bank or substitute dollars; and, on the presumption that they receive full value therefore, do not create inflation, since these dollars are backed by actual wealth. All the purchases resulting from the loan are bought with bank dollars, save one. The loan provides for the purchase of everything but the banker's "service"——the interest charge; this cannot be paid with bank-created dollars.

Thus, what we call a bank inflation is merely a boom caused by releasing exchange power which in turn releases productive power, but creates a potential absorption of government dollars by reason of the necessity, at some later date, of taking from the supply of government dollars a sum to meet the banker's interest charge. This interest charge has created nothing; and is, therefore, unbacked by wealth. When, by the calling of loans, government dollars are extracted by the creditors from the total money supply, a deflation of money supply occurs and there appears a surplus of unsaleable goods. Thus we see that the bank-loan-interest system always creates unbalance between money supply and goods supply; and that what we call the depression phase of the business cycle is but the flower of the seed that was planted in the boom phase. Interest increment is in fact money decrement. This is the termite that feeds quietly and insidiously upon the circulatory system and depletes the money supply, thus diminishing consumption and production, producing depression.

The depression or deflation phase of the business cycle always follows the boom phase by reason of ultimate loss of confidence by the creditors, and thus there is an automatic reaction and termination to bank credit inflation. Not so with political inflation.

Since the peculiar position and function of the banker in the scheme of our economy is so universally misunderstood, and even by the banker himself, a few more words devoted to clearing up the mystery may not be amiss.

The banker is the holder of a government license to speculate in money. As has been stated, he neither creates nor loans money. He permits businessmen, for a fee, to create substitute money by a "loaning" process in which he takes this position toward his "borrower": "If you will pay me a fee I will establish a credit on my books that will enable you, by drawing checks, to create businessman's money. I will take the position, with all my depositors, that they may draw either businessman's money by means of checks payable to some one else through a credit on the books of some bank, or I will deliver Uncle Sam's money on demand."

The banker's pledge is a legal fraud because it professes that all book credits established by the "borrowing" process are warehouse receipts for currency, which is true only to the extent of currency actually held or available. Thus banking has merely evolved from the original goldsmith-banker's false representation of holding gold to back all his outstanding promises to the modern method of professing to have 100% currency backing.

Under this system it follows that as businessmen's money expands through "loans" and the sum of Uncle Sam's money remains the same or diminishes or expands but slightly, the banker's undertaking grows more hazardous and in due course it becomes so manifestly impossible of fulfillment that a scramble begins for currency by banks and depositors, resulting in a money panic and depression.

To distinguish this condition from a political inflation, substitute Uncle Sam as the "borrower." Since Uncle Sam can deliver an unlimited sum of Uncle Sam's money, it is obvious that the banker has nothing to worry about and can "loan" an endless amount of money and instead of producing ultimately a panic for money, the effect is to produce a panic for goods to exchange for the plethora of money.

A political inflation can be arrested or reversed solely by government action. Here the debtor—the government—controls the situation, because, unlike a private debtor who promises to deliver more than he can create, the government can make good its promise to deliver any number of dollars. These dollars, however, grow progressively smaller, but nevertheless fulfill the government's loan obligations which are written in the simple word, dollar, without specification of power. A dollar is whatever the government issues as a dollar—it has no fixity.

A political inflation, therefore, has no automatic corrective; it is speeded, retarded or reversed entirely by government action. Action to arrest or reverse may take one or both of two forms, namely, repudiation of promises, or budgetary action to balance or create a surplus from which to retire obligations. To balance the budget means to retrieve as many dollars as put out, thus ceasing to feed the inflation further. A surplus budget means retrieving more dollars than put out, thus deflating the money supply.

GOVERNMENT TAKES OVER

We are at present in a political inflationary movement which during its life, and probably forever, has ended the menace of bank credit inflations and deflations. This is due to a radical change in political policy, adopted in 1933 after the depression beginning in 1929. In previous bank credit deflations the government did not intervene but allowed the depression to run its course and the cycle to renew itself. In this instance, however, the government took over the banking function by expanding the money supply. There is now no way by which the banks can recapture their function because there is no way by which the government can let go of it. The banks are now mere pensioners on the government's hands, and, as previously explained, it is politically expedient to keep them alive by the sham process whereby the government professes to borrow from them. As an example of their reduced position, we may compare the average interest rate of 4-1/2%, paid by the government for financing the last war, with the average rate of 1-3/4% at which this war is being financed.

Another index that points to the same trend is the fact that total private debt—corporate, farm mortgage, urban real estate mortgage and state and local government—rose from $72.4 bns in 1916 to $90.8 bns in 1919, an increase of 25.5% while in this war there has been a rise in the same brackets from $125.3 bns in 1939 to $129.2 bns in 1942, or only 3%. On the other hand, the Federal debt rose from $1.2 bns in 1916 to $25.6 bns in 1919 and then declined, while in this war it rose from $47. bns in 1939 to $112.5 bns in 1942, and rose to $171.2 bns in 1943. At the end of the last war (1918) the Federal debt was only 19% of the combined private and public debt, whereas, today, in the middle of the war, it is above 60%. Since private and state and local debt are practically standing still, and public Federal debt is rapidly expanding, the relative positions of the two classes of debt will undoubtedly be reversed, with Federal debt being 80% of the combined total of private and public debt, instead of 19% at the end of the last war.

Banks no longer have any influence upon monetary matters; the government now controls the situation completely; and in forecasting we have to consider, therefore, only political expediency and political action. This is an entirely new condition in America, and we therefore have no precedent to guide us. Many persons will be misled by using old guides and therefore expecting deflation to follow this inflation as deflation has always followed previous inflations. This is total inflation; there will be no deflation.

The banking system is being used now, not to create substitute or bank dollars, but to create government dollars, because the government is the borrower-creator. The supply of government dollars is now so great that the admixture of substitute dollars offers no hazard whatever, and the day of bank panics is past. Banks will no longer fail; they may, however, liquidate and retire from business. This depends upon whether the increase in their expenses, due to the inflation, will be counterbalanced by increased income from government loans. Such increased income will probably come automatically without a rise in the interest rate. Banks are now taking about 40% of the government's securities and private investors, 60%. As the inflation progresses this latter percentage will diminish and the former will correspondingly expand. Private investors will show increasing resistance to bond selling, and the banks will absorb what the public doesn't take. Thus increased volume of loans will produce increased income for the banks, without increase in the interest rate.

GOVERNMENT DEBT EXAMINED

So much misconception exists on the meaning of the so-called government debt that it needs to be analyzed. It is not properly called government debt; it is a taxpayers' debt. It arises solely out of a postponement of tax levies to balance the budget. It means that the citizen has been getting government service and disservice at a cost that in part has been on the cuff. By the borrowing process the government has been inducing its security holders to advance the unpaid cost to the taxpayer; and, for his thus "holding the bag," government pays the security holder an interest which is added to the taxpayers' obligation. The government is only a middleman between the creditors and the taxpayer-debtors. How it will serve their respective interests depends upon political expediency and the reactions of both classes. To be sure, the security holder and the taxpayer are often the same person, but not always—and rarely in the same degree. Also the taxpayer consciousness may be keener than the creditor consciousness or vice versa. We shall speak of the two as investor interest and taxpayer interest.

There are two ways that the taxpayer interest can be made to pay its debt to the investor interest. One is the bald and bold way of levying taxes to create a budgetary surplus out of which to pay the security holder. The other is to pay the security holder on demand while continuing a deficit policy. The latter is undoubtedly the way it will be paid as the former is politically a dangerous method. This latter course means of course, releasing funds from Government securities and increasing the pressure of liquid funds on the diminished goods supply.

What are the retards and the inducements to this process of liquidation? We have price ceilings and rationing. These are restraints to price rises but they are effective only as long as the people remain under the illusion that non-spending means savings. The price rises have as yet (May 1944) not been large enough, and the continuity of the rise has not been long enough, to destroy this illusion. Some people are already aware that money saved declines more in principal than it accrues in interest; but they have another illusion, namely, that there will be a deflation as has been the case with every drastic price rise before in our history. On the other hand the inducement to the security holder to liquidate is the persistent and henceforth accelerating price rise—forcing some to sell to meet current expenses, and causing others to become panicky.

What are the indices that the liquidation trend is approaching? One is that shown in the increasing amount of refunding that becomes necessary; and the best example of this is Series E Savings Bonds. In January 1942 the redemption as compared to sales was less than 1/2%. This has risen until in December 1943 it was 25% and in March 1944 it was 42%. Another index is the comparative percentage of securities held by banks to the total. Comparing July 1942 with December 1943, we find the former date showed 38% held by banks and the latter 43%. As private individuals and corporations take less, the banks must take more and thus the increasing percentage of bank holdings is a reflex of the increasing public sales resistance.

There is no power that can reverse this trend toward liquidation except a drastic increase in taxes; and the government, having lacked the courage to adopt this policy thus far, will of course not regard it as politically expedient in this critical stage of the war and an election year, nor will the next administration whether Democratic or Republican be super-human. Rather, the incumbent administration will beat its breast, make many demagogic pronouncements of its faithful effort to protect the consumer and many denouncements of "profiteers," "black markets," "chislers," "racketeers," and "bootleggers;" and this will in large measure deflect criticism from itself to defenseless tradesmen who will be the objects of the thus aroused public wrath. If we have a Republican administration next year, it will blame its predecessor.

What are the evolutions and culmination of the above stated liquidation trend? As more security holders, for various reasons, convert into cash it will, of course, be for the purpose of buying. This, with the greater spending of the cash and bank deposits already available, will force prices up with increasing speed—and this, in turn, will force greater liquidation and greater price rises. Thus, by the diminishment of the power of their dollars, the taxpayer interest will pay against its tax delinquency and the investor interest will take a loss. The debt claim will be paid in full, dollar for dollar, but the dollars will buy less and less.

The process of liquidation implies that the public holding of securities will diminish and bank holdings will expand not only commensurately but plus because the government will be obliged to issue not only refunding securities but additional amounts to cover its current deficits which will expand as prices rise. To illustrate; the public now (May 1944) holds about $110 bns of government securities. Assume that the saturation point is $150 bns after which public holdings will decline through liquidation. Such liquidation implies more money in the market places, with consequent price rises. The government must therefore, make added appropriations to cover its scheduled purchases. Assume the price rise during a year averages 50% while the government's expenditure is planned to be $100 bns. By the price rises, the total expenditures would be upped to $150 bns and if the tax receipts were 40 bns, the deficit would be $110 bns; and this sum, plus the refunding of say $50 bns of the public's liquidated holdings, would mean that $160 bns would be thrown upon the banks. Assuming that they already held $75 bns, their total would then be $235 bns.

THE RUNAWAY PHASE

At this point the inflation would have gained its momentum and we will assume that in the next year the public would liquidate its remaining $100 bns, and the price rise may be estimated at 1,000%. If the government's expenditure is planned at $150 bns it would thus be boosted to $1 1/2 trillions. Its income might be planned at $75 bns and rise to say $225 bns making a deficit of 1 trillion, 275 bns which would have to be absorbed by the banks—bringing their total to 1 trillion, 500 bns, which would be the total of all securities outstanding. There would then be approximately this sum of money in private hands, either as bank deposits or currency in circulation. These figures would continue to mount until the end.

While this fanciful outline is only a skeleton, it is not overdrawn for a total inflation such as we anticipate. It is not irrational to up the government's planned expenditures by 10 to 1 while estimating an increase in its planned income by 3 to 1 because there is a lag in the income tax which is the main tax levy. The irony of the tax measure against inflation is that it is a preventative and not a cure, since it cannot overtake the inflation once it gets its momentum. In the insipiency of an inflation statesmen do not lay sufficient taxes and in the flood they cannot. The picture also does not ignore the fact that about 20% of all securities privately held are held by insurance companies which are not so apt to liquidate as individuals and other corporations. They will however, be obliged to pay out vast sums for loans and cash surrenders, especially to the white collar workers whose income will not keep up with the price rises. Thus these companies will be compelled to liquidate to some extent and will choose to some extent to do so for investment in real estate to preserve their reserves. Their new business will also virtually disappear and their current income will fall short of current outgo.

The astronomical increase in bank loans as shown is not unlikely —for it must be remembered that so-called loans to the government are not like private loans, and have no limit of safety. A loan to the government means merely placing two figures on the books of a bank, each offsetting the other and each being of the same quality, and varying equally in weight. As we have pointed out, the process is but an empty gesture whereby the government subsidizes the banks through the interest payment. Whether the government orders the bank to mark on its books a million or a billion or a trillion is but a matter of adding cyphers; but these added cyphers are very welcome to the bank, since each is an egg that hatches more interest income for the bank. It is quite possible that in the general demoralization of runaway inflation, the banks may even recklessly extend private loans, seeing that there would be no hazard in spewing some substitute dollars in the flood of government dollars. The base of government dollars is now so broad that there is no danger in adding a structure of substitute dollars.

What is the end? The end is what is called stabilization or official ending of the inflation. This will be accomplished by exchanging a new unit for the existing dollar at a ratio of one new for some multiple of the old. This multiple may be from 100 to 1,000 depending on when the government chooses to end the agony without probability of the malady carrying over into the new unit. If the total bank deposits and currency outstanding prior to the stabilization were, say, $2 trillions and the conversion under the stabilization were at the rate of 1 to 200, the total money outstanding after the stabilization would be 10 bns of the new unit and prices would come back to about 1/200 of the pre-stabilization level. The slate would be wiped clean. Nobody would owe anybody because all public debt and all private debt would be wiped out.

The public will have sold all securities back to the government and the $2 trillion mentioned in the hypothesis would be the aggregate of bank deposits and currency. Only the banks would hold government securities and all would be equivalent to cash and would be wiped out with the currency by the stabilization decree. Thus the government would begin a new fiscal era without a dollar of debt, and the taxpayer obligation and the security holder claim would be liquidated. The complete obliteration of debt with a complete new shuffling of the cards is a consummation that may have a popular appeal and therefore make total inflation welcome to a large number of our people.

THE HUMAN SIDE

This is a cold mathematical picture of a coming collapse. It lacks all the colorings of human reactions of reason and emotion but in reality the experience will be anything but cold; it will be wrought and fraught with passions. Men cannot calmly watch their fortunes fade—especially when others are profiting by the fade-out—and broadly speaking, the entire debtor class will benefit by the depreciation of their debts and many men, foreseeing this, will pile up debt as a means of thus acquiring property cheaply. Trust funds visualized by their testators as permanent, will be wiped out; and not only private individuals dependent thereon but educational institutions, hospitals and charity institutions will find themselves bankrupted. Insurance companies may weather the storm, but their benefit payments will decline to a small fraction of what the insured paid in and the companies will emerge emaciated and shrunken, if indeed they survive. Government's entire social security benefits, with soldier bonuses, will likewise be reduced to the vanishing point unless the government sees fit to increase payments as the dollar declines, thus feeding the already raging flames of inflation.

Many businesses, following the normal markup on costs without anticipating replacement costs, will be wiped out and their owners added to the unemployed. Social unrest will intensify race problems. Drinking, dissipation and immorality will increase. The climate will be riotous, rebellious and dissolute. America will be tried as she never has been tried before—but the whole experience will be bearable if we prevent exchange from breaking down. If we fail in this we will not only paralyze production and consumption at home but will also be obliged to withdraw from the war if peace has not been previously signed. The end of the war may precipitate the runaway phase of inflation; but inflation may force the end of the war. The one will not necessarily wait upon the other.

The first crisis will come when the rapid rise in prices will make it impossible for our credit practice to continue. The seller will not be able to bill goods on credit terms when the dollar on payment date will be worth an uncertain amount less; and when it will be to the advantage of the debtor to delay payment to take advantage of further decline. This breakdown of our credit practice will be a serious inconvenience—more so than in any other country that has gone through or will go through inflation, because credit practice exists hereto a much greater degree than elsewhere. We will be forced to a cash basis, which does not mean a currency basis. We will continue to use our checking system, but there will be a great increase in currency.

The supreme test of whether we can avert the decline to barter —and possible riot, rebellion and revolution—lies in our ability to provide a stable money unit and thus preserve our money exchange. The time will come when the dollar will decline so rapidly that it will no longer be feasible to conduct trade in terms of it—with barter the only visible alternative. Simple barter is extremely difficult for a society that has been as highly specialized as ours is, and that has grown away from the soil. Farmers will not ship food to the cities if, before they can buy with the money they receive, it has declined to some uncertain or perhaps vanishing point. On the other hand, while they would barter, they are so far removed from the city dweller that contact is impossible without transportation. But railroads could not operate on a barter basis; they must stop rolling when the dollar stops rolling. With transportation broken down, city people will face starvation and with such a threat, order cannot be maintained and violence may take any course.

PREVENT CHAOS

If total inflation, as outlined, cannot be seen as a probability, it should be contemplated as a possibility and a preventative of chaos adopted. The solution of the problem lies in switching business from the unstable dollar to a new unit that will remain stable regardless of the decline of the dollar to the vanishing point. This would not save past dollar contracts from going through the inflationary process, but it would permit new contracts to be made covering the current business of life in terms of the new unit. If we can keep money exchange operating we can avert all the chaos of decline to barter which for us would be virtually impossible. Under such conditions the inflation could run its full course without destroying orderly life. No country that has gone through total inflation has had the opportunity of utilizing this unique escape from the chaotic phase.

The valun concept is the result of studies begun 10 years ago and is not presented as a mere emergency measure. It is presented as a true money system, to serve in place of the existing political money system at all times and places. It happens, however, to come now as a salvation from chaos in the impending crisis. The valun can step into the breach and save the American people from severe misery and bloodshed; and, after the crisis can remain to assure equitable and stable exchange—and preclude all future inflations, deflations and other evils that beset us under the existing money system.

Disastrous inflations as the result of political efforts to subsidize the economy by means of deficit financing are common in history —always followed by continuation of the political money system which breeds the malady. The American people have now the opportunity to demonstrate to the world that America's first political inflation shall be its last, and may also be the last in the world if other peoples follow our leadership in setting up the private enterprise money system.

In the second half of this course of studies the valun and the valun system—the proposed private enterprise system—are described in detail. The purpose of this study is to point out the seriousness of our present monetary situation and the urgent need for the adoption of the valun system now to avert untold miseries.

ADDENDA

As an example of a stabilized bond and in contrast to those now prevailing, we have been privileged to copy from the private collection of Mr. Farran Zerbe, the following indenture of a bond of the revolutionary era:

STATE of MASSACHUSETTS BAY

No. 6025
££373-3-9 The First Day of January A.D. 1780
In Behalf of the State of Massachusetts-Bay, I the Subscriber do hereby promise and oblige Myself and Successors in the Office of Treasurer of said State, to pay unto Charles Steward or his Order, the Sum of Three Hundred and seventy three Pounds 3/9 on or before the First Day of March, in the Year of our Lord One Thousand Seven Hundred and Eighty one with interest at Six per cent per Annum: Both Principal and Interest to be paid in the then current Money of said State, in a greater or less Sum, according as Five Bushels of Corn, Sixty-eight Pounds and four-seventh parts of Beef, Ten Pounds of Sheeps Wool, and Sixteen Pounds of Sole Leather shall then cost, more or less than One Hundred and Thirty Pounds current Money, at the then current Prices of said Articles—This Sum being Thirty-Two Times and an Half what the same Quantities of the same Articles would cost at the Prices affixed to them in a Law of this State made in the year of our Lord One Thousand Seven Hundred and Seventy-seven, intitled, "An Act to prevent Monopoly and Oppression." The current Prices of said Articles, and the consequent Value of every Pound of the Sum herein promised, to be determined agreeable to a LAW of this State, intitled, "An Act to provide for the Security and Payment of the Balances that may appear to be due by Virtue of a Resolution of the General Assembly of the Sixth of February One Thousand Seven Hundred and Seventy-nine, to this State's Quota of the CONTINENTAL ARMY, agreeable to the Recommendation of CONGRESS, and for Supplying the Treasury with a Sum of Money for that Purpose."

M. S. Dawes Witness my Hand Committee R. Cranch
H. Gardner, Treasurer

Observe the fidelity of this bond. It is payable in "the then current Money of said State" regardless of whether that be the English pound or revolutionary money, provided, however, that the holder should receive either more or less as may be required to purchase the commodities in the quantities named. (The reason the second sum stated is different from the first is because the latter was a fixed unit printed in the bond as the basis for computation, while the first amount is the actual loan and is written in by pen.) Another interesting revelation is that at the time the bond was issued, inflation had carried prices 32-1/2 times the level fixed by a futile price control law, ("An Act to prevent Monopoly and Oppression") passed just three years before.

CHAPTER 4

Money Freedom

The Consummate Economic and Political Ideal, Encompassing All Freedoms

The freedom thought in any language has always expressed the most common ideal of man in all ages of his progress. Every page of history records the fervor of peoples in their pursuit of freedom. Passionate denunciations of tyranny, paeans of praise to the blessings of freedom, and countless charters proclaiming it constitute the theme song of civilization.

Next in depth of meaning and universal consciousness is the word money. Money, because it came into use only in the later history of man has not so long a tradition, but is so profound that it is almost synonymous with the word freedom. Certainly the joining of money and freedom make a most comprehensive statement of human aspirations. Money freedom encompasses all freedoms.

Freedom is man's natural state; it cannot be conferred upon him. He was born in freedom. Then why has he been pursuing it from the beginning? It is because he desires freedom plus prosperity and in the pursuit of the latter he has compromised his freedom. Partly through his own cupidity, and partly through the cunning of exploiters, the urge for progress has ever carried him into entangling circumstances that denied him both freedom and prosperity. Yet both must be attained to enjoy either fully. Freedom to live and move without command of wealth is an empty freedom. We must have the freedom of prosperity.

The most difficult problem that man has encountered in his social progress is how to make use of government without self-subjection. It required centuries to explode the pretense of divine right to rule. It took centuries to effect separation of church and state. It has required additional centuries to promulgate the principle of separation of money and state and, through it, to envisage money freedom which is freedom's acme.

Governments today are constituted by consent of the governed and in their constitutions safeguards of freedom are incorporated against governmental invasion of private rights. This aim of converting government from ruler to servant has been constant. The most masterful effort was made in the drafting of the Constitution of the United States, where (under the Jeffersonian theme: "That government is best that governs least") the most intelligent and jealous endeavor was made to obviate the evils of centralized authority and usurped powers. After the founders had made the draft replete with "shall nots," the several states caused to be written into the document, through the Bill of Rights, ten more prohibitions against governmental invasions of private rights. But the money power, the most insidious, the most pernicious one of all, was not only unprohibited but was actually enthroned.

Throughout the history of man's struggle to master government the process of whittling down power showed steady gains; but, when money emerged, a new factor entered. Ignorant of its nature, men thought its emission and control should be a function of government. The projecting of the money power, (by tradesmen with whom money originated) into the hands of politicians and the accepting of that power by the latter, seems to have been effected in complete ignorance (by both parties) of its far reaching implications. We of the Valun school of thought now realize from our study that the money power is a constitution of and by itself and that its acquisition by government meant a second constitution that tends progressively, as money becomes more important in men's lives, to neutralize the political constitution, no matter how jealously the latter was constructed. The letter of the political constitution may be faithfully observed by government and yet its purposes may be defeated by the money power of government which is its second, its economic constitution. Hence the contradiction and confusion in our political principles and practices.

The dream of democracy and the craftsmanship of constitution builders, therefore, has been defeated. We see now the gradual subordination of the political constitution to the economic constitution, with increasing governmental powers and diminishing private powers. Yet this has required no change in, nor disrespect for, the political constitution. Nor does it imply a greater lust for power by politicians. Strange though it may seem, it is and always has been, a movement from the people, urging the government to exert a perversive power. Even the politician is unconscious of what is the impelling cause of the growth of government and the decline of private enterprise. It is a world trend, but its most striking manifestation is observable in the United States.

The thirteen American colonies, when freed by the revolution, became independent nations and, after the manner of old-world nations, each set up its own money system. Later, when they federated in the thus created government of the United States, it became the sole political money power and thus was centralized at Washington the greatest potential money-creating machine the world has ever seen. The power, through money, to defeat democracy has always existed in the Federal government (as in all modern governments) but it has been slow in manifesting itself. Only in recent years have we come to appreciate the force of it.

THE JOKER IN THE CONSTITUTION

Let us examine the joker in our constitution out of which grew the colossal evil from which we now suffer. It lies in Article 1, Sec. 8, Par. 5, to wit: (The Congress shall have power) "to coin money, regulate the value thereof and of foreign coins." Here the ignorance of money by the founding fathers, which still abides, is recorded. The very brevity of the provision shows that the drafters had no comprehension of the subject they were dealing with. Literally hundreds of thousands of words have been written by Congress into monetary laws in an effort to discharge the obligation implied in the quoted words and nothing but perversion has been accomplished. The Constitution might as well have declared that Congress shall regulate the course of the planets. We now know that money has no value and that, therefore, the "regulation" of the value of money is an absurdity. We know that money can be issued only by a buyer in the act of purchase; and that the implied function of government issue of money for the constituency is therefore also an absurdity.

While the above quoted constitutional provision is literally meaningless, the implications that have followed from it are the most important of the entire Constitution. These eleven words involving the most significant power in the entire document, constitute the germ of error that can nullify all other provisions because they imply the monopolizing by government of the money power— a power which should and must remain with the people, and can be wholesomely exerted only by the people. But the people, relying upon an abortive constitutional provision, fail to exert their natural powers. From this false start, we have come to the most unforeseen consequences.

Under the political money system there are but two sources of money. One is issue by the government; (and its grantees) and the other is issue by borrowers, through the banking system. The government issue springs solely from government expenditures; since there is no other way it can issue. This is the basic or legal tender money—and constitutes the only actual dollars, either in currency form or in promise to issue currency. Through the banks, those business men who have bank credit are permitted to issue promise-to-pay dollars. It is important to recognize that there is only one source of primary or legal tender money, namely the Federal government and only one source of substitute money, namely, the borrowers from banks. Thus our money supply is monopolized.

It is important to remember that neither primary nor substitute money can be issued except by the act of purchase. In other words, if the government is to issue money it must buy something; there is no other way that it can put money into circulation. Since modern society is completely dependent upon money circulation, it is plain that we are not freemen but subjects because we must beseech our government for this life blood. But we are not subjects by government mandate; we are subjects by dint of ignorance and inertia. Government does not deny us the right to exert our natural power to issue money; we ourselves thrust upon government the impossible function of vicarious issue power.

Due to the evolution that has taken place in the past 12 years, the banking system is now impotent and the government is virtually our only source of money. Now witness the anomaly of our position. For the presidency we vote each four years; for the House and the Senate we vote each two and four years, respectively. These are our mandates. This, so far as the Federal government is concerned, we call our political democracy. But we must vote dollars several times each day for our economic needs. These dollar ballots are controlled by the government.

OUR DEMOCRATIC ILLUSION

We have been pursuing the illusion that by voting political ballots biennially and quadrennially, we controlled our affairs. While the government must beg us each two years for our political ballot, we beg the government every day for our economic ballot. Since we are dependent upon our government for our daily dollar ballot, there stands over our political democracy a monetary autocracy. Therefore, we are not democratic governors; we are economic subjects. The most scrupulous respect may be shown by the government for all the prohibitions incorporated in our political constitution against governmental invasion of our private rights, and yet we ourselves gradually destroy the substance of these rights—leaving only empty shells, clay idols.

The process whereby parchment freedoms become sterile is quite simple. It begins with the fact that we need a constant money supply to effect our exchanges whereby we live. The supply is completely in the hands of government. We beseech the government to issue it. The only way the government can issue it is by spending. There are two spending courses open to the government. It may spend for some non-productive purpose, such as relief, pensions, subsidies, non-liquidating public works, bureaucracy or war. Such expenditures create dollars with no or very little marketable value back of them, and the result is inflation or depreciated dollars. Such expenditures have dire consequences. Government's alternative is to spend for income producing projects. This puts government in business and private enterprise out of business. This is communism. It is not necessary to determine which is the greater evil, for both lead to the demoralization of both business and government. Yet who is to blame? Surely not the government. The whole process was started by popular clamor under the theory that the government owes every citizen a living and the false notion that government can provide it through its money power.

Is not every public expenditure the result of pressure by some large or small segment of the citizenry? And are not these pressure groups impelled by the necessity of petitioning government since it is the only source of the economy's life blood? How can we blame the government for spending and on the other hand, how can we blame those who invent schemes for spending, without which our economy would stagnate? It is the false concept of political money power that converts citizens into petitioners, and makes government a dispenser of patronage instead of a public servant. This power of patronage utterly destroys the democratic system of government—since the people cannot be both petitioners and rulers. The product of countless centuries of slow and laborious and bloody striving for the subjecting of government to the citizen is being destroyed because we have failed to master money and, by pursuing government for it, we fashion our own subjection. If we do not master money, and exert our money power, we will not only destroy democracy but we will destroy government— since government cannot survive unless it has popular support.

LOCAL GOVERNMENT SUBJECTED

Observe how the power of patronage is sapping the vitals of our multiple form of government. The Federal government makes grants of money to the states and the states in turn make grants to the cities and towns. Thus subserviency is established and home rule destroyed. The subdivisions of government designed to be independent within the limitations established by the federal and state constitutions tend to become satraps of a single government. On the theory that governments have only the resources they can raise through taxes, it may seem strange that the local and state governments do not go direct to their citizens for funds. The explanation of this lies in a secret of the money issuing power.

State and local governments have only the power to create substitute dollars through borrowing from banks. Besides this source of new dollars, they can draw only on existing dollars of their citizens through taxes or loans. When they borrow from banks they must promise to return U. S. dollars, which they have no power to create and they must approximately balance their budgets or the banks regard their promises as hazardous and therefore they are limited. That is why all the states and local governments combined have a total indebtedness of less than 8% of that of the Federal Government and the states alone, less than 2%.

The Federal government need not balance its budget and can borrow endlessly, because, when it borrows, it promises only that of which it has an endless supply—and thus banks making loans to the Federal government take no risks, because all they promise their depositors is the same thing that the Federal government promises them, namely dollars of constantly diminishing purchasing power. Thus we see that the Federal government, because it has the money issuing power, has not the limitations of state and local governments and can therefore subsidize them and, through this power of subsidy, control them. Freedom from the necessity of balancing the budget means freedom from the necessity of collecting taxes from the citizens by the usual and obvious and painful method. But the citizen does not thereby escape taxes. He merely has them imposed upon him in a deceptive form through inflation.

This subtler form of taxation, which only the Federal government can employ, permits the citizens to retain more dollars and even enjoy the illusion of riches; but each dollar becomes weaker— with more and more dollars required to pay the cost of daily living. It is inflation taxation and, because of their ignorance of money, the people are led to believe that the demanding by the merchant of extra pennies with each purchase is due to avarice on the part of private enterprise. Thus the government escapes the resentment that would be manifested if the budget were balanced and the cost of government were paid in direct above-board taxes. By this easy method of escaping public surveillance the government creates deferment of the day of reckoning—but the reckoning must come with shock to both the economy and the state.

This does not imply that a political money system under a balanced budget policy is or can be good. Some fiscal policies of a money issuing government are less evil than others but it is impossible for them to be wholesome and beneficial to the economy and to the social order because, when the power to issue is monopolized, the failure to issue is an evil, just as is the act of issuing. Both constitute dictatorship over the economy. Either the people must have the money issuing power or the democratic power is lost. No power can transcend the political money power, once we accept its dominion, because money is a license to buy and a license to buy is a license to live. We are dependent upon money; and when any power outside ourselves controls money we are dependent upon that power.

SELF-SUBJECTION

Nor does this positive statement imply intended tyranny, for, we repeat, government is forced to become a patron of the people by the people themselves. It is helpless,because, due to a traditional error, it has undertaken a function that natural law precludes it from exercising in the public interest. We beg ourselves into subjection and the government into perversion. Yet we must beg because we need money and ignorantly regard the government as our only source of supply. The great delusion of the people is that communistic dictatorship can come upon them only through conspiracy and use of military power and that a revolution must occur. Evolutionary processes, subtle and pernicious, operating through the government's money power, can bring it upon us by our pleading for money—and even against the will of the government itself.

There is at this time before Congress a bill to subsidize the press through government advertising. Did some one in the government propose this? Oh no, it is a plea by a group of newspapers thirsting for funds from the magical fountain. If this project is successful many newspapers will spurn it at first but conditions will force it upon them. With the press under pay of the government, can it be free? Yet no one can say that the constitutional guarantee of freedom of press or speech has been violated. The churches are in need of funds. If they fall under government subsidies, as they must if the trend continues, will we have separation of church and state? We have freedom of assembly, yet it costs us money to assemble. Is not this money which we have to receive by the grace of government equivalent to a license to assemble and discuss? Is not our whole life based upon money license— since we do not exert our natural power to create money but seek it from our government? It matters not that we individually do not beseech the government; the fact remains that those from whom we receive it are the beneficiaries of special privilege and oblige us to pursue them. Removed from contact with the fountain, though the Constitution guarantees us the right of bargain, we have less bargaining power than those who can take the bucket to the well.

Freedom of press, freedom of religion, freedom of trade, etc., do not mean that press, church and trade are to be free from control. It means that their only control shall be by their private customers. Now, if the government becomes their customer, they fall under the natural customer control—which is not political but economic. If this second government, the economic government, by reason of the peoples' inability to buy, steps between them and the supplier, the suppliers' customer consciousness will extend to the government, and not to the people. The power of patronage cannot be suspended; it is natural.

To satisfy the public clamor for price control, the government is resorting to a back-door subsidy payment to producers, suppliers and carriers—to compensate them for losses in observing price ceilings. Thus the government becomes a customer of these industries; and is not the customer always right? Do not most of the relief beneficiaries decide that the incumbent administration is worthy of support because through its influence they receive relief checks from the government? Is not the farming industry influenced by what benefits it receives directly from government? Are not most of our industries now "customer conscious" toward the government? Does the right of private property and free enterprise retain its substance when one customer tends to dominate?

Is not the postwar problem, that now excites so much concern, but a problem of getting out from under the patronage of that overpowering customer, the government? And are not private enterprisers torn between the hope that they may again depend upon the private consumers and the fear that they cannot function on that alone without government patronage? Are we not approaching complete demoralization in a complex of hopes and fears due to our dependence upon government money power? Have we not become enervated addicts of artificial stimulation?

What we must learn from our experience thus far and what we face is the fact that no government, no matter how well intentioned, can create money without evil consequences; because it can create money only by spending—and that spending must be either non-productive, and hence inflationary; or it must be productive, and thus be invasive of private enterprise and productive of communism.

MONEY ABOVE MAN'S LAWS

Money is a law unto itself; political statutes cannot amend and no power can transcend this law, which ordains that the issuer of money commands the sphere of its influence. By giving the money power into the hands of the government we gave it a second, an economic, constitution that prevails by unseen and unsung processes over the political constitution and may destroy the government itself. There is nowhere a prohibition against our exercise of our natural power to issue money; we merely fail to exert it— and, by our ignorance, we thrust upon the government the impossible task of vicarious money issuance. The government cannot issue money for us; it can issue it only for itself; and we can get it only on the rebound. This is a law of money that the government cannot alter. In its effort to deliver money to us it can but create perversion and economic and political maladies.

Money, to be sound and wholesome to the economy and to the government, must be issued only by private buyers under the safeguard of competitive bargaining for private profit. The people must control the money power; and, through it, control their economic and political affairs. Only through the exercise of our natural money power, which is our actual sovereignty, can we gain freedom, sound government and prosperity. This is money freedom. It means tranquility within the state and peace without. It means equality of opportunity. It means freedom from want; freedom from fear. It means life, liberty and happiness realized. It is the substance of all freedoms, without which the statutes ordaining them are but empty shells.

How can the individual possibly be assured of life, liberty and the free pursuit of happiness when the very means thereof is controlled outside himself and he is too ignorant to assert his inherent powers? How can we proclaim the dignity and supremacy of the individual and the subordination of the state when the mace of his power is not even within his consciousness? What is life without the power to enrich it and fashion it to private taste in the fullness of one's own purpose to produce and enjoy? What is citizenship without sovereignty? What matters a constitution full of prohibitions against invasion of private rights when we do not recognize our most precious right—and by this failure sap the substance of all other rights leaving only the fetishes?

AMERICA'S OPPORTUNITY

America gave to the world the greatest political document ever conceived by man. America now has the opportunity and the challenge to give to mankind—through a universal, non-political money system—the greatest of all charters of freedom. That charter will liberate society's vast wealth producing forces, unify the peoples of the world on the economic plane, preserve and effectuate democracy—and banish war and poverty from the earth. Such a charter can be written only in terms of money freedom.

All the issues of the great war in which the nations are now engaged, all the problems of postwar planning, all the hopes of humanity for a better world, resolve themselves into but one question: can man in this crisis master money? Our whole thinking on this subject must be revised. The obvious lack of a science of money, after centuries of experience with it, should suggest to everyone that there is involved in past thinking and practice, a basic error. One may go to the parliaments, to the academies, to the counting houses, to the market places, in search of an understanding of money and it cannot be found. Instead of mastery, we find mystery.

No one need feel any inferiority in confessing lack of comprehension of this subject, for ignorance is universal except among those who dare to challenge the orthodox concepts. There is no lack of sufficient intelligence to master the problem; it requires only the courage to break with the old concepts and open the mind to new. If we have not this courage in this grave crisis, we are lost. If we cling to old ideas while men are sacrificing their lives, the dead shall have died in vain. The blood of the dead cannot requite the brains of the living.

Money freedom is a new cause in human progress. It has as yet no clarion. Ours is but a thin small voice in a world clanging with steel. But all the greater is our responsibility. We are custodians of an idea—and ideas are more powerful, more enduring than steel. The inscrutable wisdom that inspires men to undertake new causes often, and in fact usually, commits to humble and obscure persons the task, the honor and the privilege to nurture the struggling cause, and, by so doing, not only serve humanity but become lifted out of their obscurity.

Let each of us assume leadership in the circle of our contacts no matter how limited, with the devout purpose of bringing to our fellows a new age of freedom, a new inspiration and a new hope of a better day. And this day and every day can be bettered by devoting the mind to a constructive cause, rather than leaving it prey to the depressing thoughts of war and destruction.

Let us not ask despairingly, "what is this world coming to?" Rather, let us assert confidently, "this is what the world is coming to and I am part of the great constructive power that moves it." If we here and now resolve to grasp the opportunity that fate has brought to us, we shall have recollections of this day that will pay dividends of satisfaction and pride as long as memory lasts.

CHAPTER 5

Money Mastery

The Assertion of Man's Inherent Money Power and the Denial of Political Money Power

To criticize the political money system is not enough. Our study must have a constructive end; and this requires money mastery. Let us approach the subject through the economic sequence that developed the need for money.

Man has learned that he can maintain a bare but precarious existence if he devotes his thought and labor to garnering or producing only those things that he consumes. To rise above this level of life he must become efficient in some occupation that produces exchangeable wealth. This specialization of labor could yield no profit unless there be other men who likewise specialize; and it is further necessary that they meet to exchange their products. This implies a meeting or market place. Thus we see that three attitudes are basic to man's rise and continued progress, to wit: (a) the profit motive, (b) specialization of labor to gratify the profit motive, and (c) exchange to realize the profit.

The profit or progress motive presses man toward means of greater production and he finds it in specialization of labor. Greater production necessitates more exchange to realize the profit; and thus exchange becomes the neck of the bottle of production and consumption. Exchange, then, is the measure of human progress and limits or expands production because production (beyond subsistence) is purposeless without it. Therefore man can be only as wealthy as his exchange is facile.

It is interesting to observe that trade continued for many centuries as a purely private affair based upon mutual interest and understanding among tradesmen. While it was subject to robbery and tribute and tax imposition, the idea of the state regulating it or issuing certificates of permission did not occur to any one. The tradesman's conception of trade was that it rested merely upon the mutual advantage of both traders and subject to the hazards of banditry. The political factor did not enter. This free and self-reliant attitude was lost when money became an instrument of state power. With the progress of time, trade psychology has become more and more enslaved by the superstition that trade by money must be state regulated and permitted.

This false attitude has come about because man has not understood money; and has believed that, in passing from representative barter exchange into money exchange, he was passing from barter to a higher plane where, by political magic, there was conferred upon him a power that he could not exert without the sanction of the state. In truth, trade has not risen, and cannot rise, above barter —because it is inconceivable that one trader will surrender value without being assured of receiving value. Through money, barter has been merely improved by introducing a time lag between the surrender of value and the requisition of value, during which lag the money instrument certifies the right of the seller to make the requisition at his pleasure upon one or more traders in the trading community. The money instrument acquires no value, the value resides solely in the thing or things to re-requisitioned.

To believe in a metallic or other "standard" or identify money with any commodity or "backing" or "coverage" or "reserve" or to attribute value to it is to confess inability to master the money concept. The money concept is a concept in accountancy and is as abstract from value as mathematics. Money is the mathematics of value and is valueless in the same sense that mathematics is valueless. No amount of value can create money, but when men form a compact to trade with each other by means of accounting, in terms of a value unit, a money system is formed, and money springs into existence when any of them, by means of the act of paying for a purchase, incurs a debit in the accounting system. Conversely, money is destroyed by the process of selling in which a credit is earned against the previously incurred debit. Yet value is neither created nor destroyed by the process of creating and destroying money because money is but a concept.

Every lawyer knows when he draws a contract that the real contract exists in the minds of the contracting parties and that the paper and ink are but the evidence of the contract. Likewise, the substance of money is a tradesmen's agreement to carry on split barter. The money instrument is but the evidence and accounting device for split barter, consummated under the tradesmen's agreement.

To be sure, the unit in which it expresses itself involves a special concept, but this concept is in no wise related to the state or politics. It involves no legislation, no executive power; no judicial power of the state. It is but the conception of value abstracted from image, and cast into mathematical relativity. In simple or whole barter we evaluate things by comparing them with each other; and rarity and desirability (the law of supply and demand) influences us in valuing things high or low. It is not necessary in simple barter to realize that all values are multiples of a common denominator which is the minimum unit. In money exchange it is necessary for us to comprehend this before we can master money and determine a unit which permits us to mathematize value.

It is not, however, necessary for us to isolate the minimum unit of value any more than it is to find the smallest physical unit before we understand physics. We need only to know that there is a unit that is the lowest value and that all values are some multiple of that unit. Nor can we conceive of a multiple of the indeterminate lowest value unit except in some physical form and then the multiple is also indeterminate. For practical exchange purposes we must have some valuable object, which contains an indeterminate number of the indeterminate minimum value units, and accept it as our money unit.

We must also realize that there is a maximum value and this value is life itself, the most comprehensive conception of value that the mind is able to conceive. Between the minimum value unit and the maximum, all values range in relativity. As life becomes invested with more objects of value, each holds a smaller number of the minimum value unit, but the sum total of value of all objects is the same; it is life. Value units are invested in, or divested from, all objects by the minds of men reacting on each other and producing what we call the market price.

It is essential to understand that objectivised value has no fixity, but is constantly in flux under the operation of the law of supply and demand. But, while all objects gain or lose in value, no value is lost because, under the very concept of value relativity, value that escapes from one object must invest itself in one or more others—and the total remains the same. Understanding the fluidity of value, we will not, of course, manifest the folly of trying to find or create an object of fixed value to adopt as a money unit. Let us now pursue the subject by example.

A HYPOTHETICAL EXCHANGE

We will imagine a group of tradesmen joining together to develop a money unit and a money system. They meet at the market place and bring their commodities. Trading is a process of value relativity and this requires a positive pole. When the pole is determined, it becomes the figure one and thereafter value relativity may operate mathematically. Any one of the commodities in the market could serve as the pole or figure one. We will arbitrarily name the sheep as the trading unit and assume the following table of value relatives.

sheep	1.00
barrow of sand	0.10
pair of shoes	0.50
trousers	1.00
harness	2.00
chicken	0.10
bushel of wheat	0.20
bushel of corn	0.10
cow	3.00
horse	5.00
candle	0.01
hog	1.00
ounce of gold	5.00
ounce of silver	0.50
	19.51

One each of all the commodities in this imagined universe of values total 19.51 units or 19.51 times the unit which is the sheep. We will now assume that the same traders bring the same commodities the next trading day and of course in the meantime the law of supply and demand has been operating and values have changed and they range thus:

sheep	1.10
barrow of sand	0.10
pair of shoes	0.40
trousers	1.10
harness	2.00
chicken	0.10
bushel of wheat	0.18
bushel of corn	0.11
cow	2.75
horse	5.25
candle	0.01
hog	0.91

ounce of gold	4.90
ounce of silver	0.60
	19.51

Our universe of values has not changed in total but the relativity has altered. What was lost by one commodity was picked up by another and this illustrates that nothing is lost and nothing is gained in the sum total—which is life—but some things make up a greater part of the whole and some things lesser. Had we introduced in this hypothetical universe of values one or more new commodities on the second day or dropped one or more as worthless, the same total of value units would be had. The multiplication of each item by the total supply of that item would make no difference as the supply or scarcity of each is reflected in the price as shown. That, in fact, is what makes the price and the price changes.

But what has become of the unit? Has it changed? Not at all. The unit is not the sheep but the value of the sheep at the time it was adopted as the unit. This demonstrates that while we can initiate a unit only by visualizing some object of value, we cannot freeze that sum of value in that object; since it, like every other object, is in constant value flux under the law of supply and demand.

The unit, once it is adopted, is like a keynote to the orchestra of trade and loses all identity with the object with which it was identified at the outset. This liberation of the unit from the concrete to the abstract is the most difficult concept in the money science and it is because of its non-comprehension that the standard or fixed value idea has been projected and has almost universally deluded the academic world. The gold standard is stoutly defended by economists and bankers who cannot master the concept of an abstract value unit—and therefore cling in desperation to the standard or fixed value idea, which is an illusion. The common man, on whose mental attitude the whole money practice depends, knows nothing and cares nothing about the fiction known as the standard, because he is not called upon to explain money. It is the so-called thinkers and teachers who thought up the standard idea—because it alibis for their lack of comprehension of the abstract value concept.

NO COMMODITY STANDARD

There is, of course, no commodity standard; because the law of supply and demand cannot be suspended in favor of any commodity. Price pegging of a commodity such as gold or silver can prevent price variation, and this gives the appearance of stability, but it cannot peg value. In the foregoing list of commodities we have included gold and silver and, in the second market day example, have shown both to have varied in price. To give the illusion of stability to gold or silver, or any other commodity, it is necessary for some power to make a market for it at a price above its actual value and thus they seem not to vary. But pegged price is not value. Such a delusive scheme is not possible in a private money system because no private trader would be strong enough to support it; and of course there is no purpose in it if no one is to be fooled. It is part of the window dressing of the delusive political money system and can be perpetrated only by a government —since, under the political money system, governments have an endless supply of money to waste on such make-believe.

The whole "standard" idea is concocted under the mistaken belief that the issuer of money is the backer, whereas in reality, it is the seller who backs money. To issue money is the function of the buyer; to back it is the function of the seller— the only one who puts value back of it. The people, by accepting money, have always backed it. The government has merely requisitioned it through taxes, which is the only way it has of retrieving its issue.

In our hypothetical money exchange nothing has, as yet, been said of money instruments, and, before we go into that, it is well to realize that the money concept must come before the money instrument; and that there may be an actual money exchange without instruments. When traders are able to evaluate things in terms of an abstract mathematical unit, they have conceived money; and may carry on money exchange without record or instruments. Of course, this is not feasible to any great extent; but we should understand that money, first of all, is a concept; and that bookkeeping and instrumentation that follows is but the record of transactions consummated in the concept.

If a farmer approaches the village storekeeper with the question; "What are you giving for eggs?" and the store-keeper answers, "a peck of corn or three yards of calico," the trading is on a whole barter basis. But if the answer is, "30 cents" the trading is on a money or split barter basis. A deal may be struck whereby the farmer turns over 5 dozen eggs and gets credit on the dealer's books for $1.50—against which he orders merchandise—and this method may continue indefinitely without a single money instrument passing between them, and yet these transactions would be perfect money transactions. They would constitute trading by means of money simply because the traders were able to state prices in terms of an abstract value unit. It is important for us to realize that the sum of money instruments used in trade is far from coextensive with the sum of money transactions. Offsetting items are common in business, thus reducing the need for money instruments to settle balances.

FOUNTAIN PEN MONEY

Let us assume that our hypothetical community of traders— finding the need for instrumenting their exchange with money instruments—hire a bookkeeper to keep track of their transactions. Each member of the exchange might receive some blank pieces of paper on which he directs the bookkeeper to debit his account, and credit the account of the seller, a specified number of money units or fractions. Nothing need be deposited with the bookkeeper to authorize such orders and this implies that the traders would be authorized to start the exchange with a bookkeeping debit or over-draft. Let us pause now to realize that money can spring only from a debit and not from a credit, thus showing that the basis of money is a pledge to surrender value on demand— a pledge which, as we shall see later, is a mutual or compound pledge, and not a private debt and which, incidentally, a government is not competent to make, because it is not able to redeem it.

If we assume that in a trading day in the hypothetical exchange buyers issued checks in the sum of 950 units and that each trader deposited his checks with the bookkeeper, the bookkeeper would have 950 units as a total bookkeeping entry but let us also assume that as he entered them on the accounts of the traders, the offsets showed a net debit of only 50 units to the accounts of those who *over*bought and the same amount as credits to the accounts of those who *under*bought. Therefore the actual amount of money in existence at the end of clearance is only 50 units; whereas money transactions to the extent of 910 units have taken place. It is even conceivable that there might remain no debit balance; and hence no money whatever in existence in spite of a healthy money exchange. Money is created by the process of incurring a debit and is destroyed by the process of offsetting a debit.

This demonstrates that the volume of money extant has no relation to the volume of business transacted in its name. The volume of money extant is determined by the amount of *deferred spending* or "*savings*" that exists. In the example, those traders with credit balances have a claim upon values held by other traders and these traders who have debit balances are the money issuers and have proclaimed thereby their obligation to other traders. This demonstrates that money, whether evidenced by a bookkeeping record or by currency, is but a medium of evidencing barter balances—and, since it never equals the values that were negotiated in its concept, it is absurd to think of it as having value. Also, it is absurd to think of a reserve or store of value which backs or supports the money extant. It is a claim upon no particular goods and no particular trader but upon any goods in the hands of any trader. In that sense only, is there a store of value back of money instruments, extant and potential. All efforts by ignorant money planners to particularize money, by setting up "redemption funds" and "guaranteeing authorities" are therefore contrary to the real and only purpose of money—which is to enable trade to escape particularization, and to enter into generalization.

The essence of money exchange is a traders' pact to issue money for purchases *from* any trader and to accept for sales *to* any trader—not at any fixed prices, but at prices made by the current operation of the law of supply and demand.

INTRODUCING CURRENCY

To comprehend the use of currency instead of checks in the trading example, we need but visualize a piece of paper or coin, with appropriate legend, requiring no signature by the bearer or identity of the issuer and supplied by the bookkeeper in exchange for a trader's check. The bookkeeper would debit the account of the currency recipient the amount of his check and would credit the account of any trader who turned back the currency. Since the currency could be obtained only by writing a check for it, it would be as much a creation of the check writer as the check. It is thus impossible for money to issue, whether in check or currency form, except *by a buyer* and the actual issue takes place only *in the act of paying*.

It will be observed that in our imagined exchange no outside factor has entered and it is impossible to see how any should enter, or could supply any element lacking by the traders themselves. They have all the values that are traded. They have all the needs that are to be supplied. They have all the powers to form a pact that affects solely their own interests. They take nothing from any one. They interfere with no one's rights. Their trading practices cannot possibly have any adverse affect upon any one except those who are denied thereby an opportunity to exploit them. To be sure, they must establish rules of practice for their exchange but this too they are competent to do without outside assistance.

The most essential rule they must establish is the determination of the debit or money creating limit for each member. Debit power or money-creating power is the very energy or life blood of the system; and to restrict it unduly would be adverse to all. On the other hand, to distort it by permitting it excessively to some and insufficiently to others would cause maladies. This problem is dealt with in detail in Study No. 7.

Deferring for later consideration the determination of the amount of the money creating power or debit limit to be authorized to each participant in a money exchange, we will now consider the qualifications for such participation. There are two classes of participants in a money exchange. Any person who accepts money, becomes automatically, a participant in the exchange that authorized the money. He acquires thereby the power to requisition value from another participant by merely transferring the money which he has received. Such participant requires no formal membership or further qualification. This class of participants we will call credit power participants. The credit power participant (called Class B in Study No. 9) can buy only after he has first acquired money by selling. He has not the power to create money.

The other class of participants are those who have formally qualified for membership in the exchange and secured thereby the power to buy before selling or in other words, command debit or over-draft power. These participants are the money creators and we will call them debit power members. (called Class A in Study No. 9) To determine the qualification for such participants we must understand the pact with which they establish the money exchange.

The money pact is a mutual pledge of *competitive* traders to buy and sell in terms of an abstract value unit, and to issue money instruments in terms of such unit within prescribed limits, and to accept such instruments issued by any member of the pact for value at competitive prices.

Competitive traders are put, by competition, on an equality of discipline, which makes them ideal participants in a money exchange as debit power members, because each sees to it that no money is issued except for value received—and no one is enabled to force a price upon another that is not the result of free competition. Thus every money unit issued is backed by actual exchange value and the unit and the price level remain stable. The disciplinary control of competition qualifies competing traders, as responsible parties, to enter, with others similarly disciplined, into a money pact.

Any trader who, by reason of political grant, is freed from competition is not a desirable participant in a money exchange because he is in position to force money to be issued above the actual free exchange value of his product. This introduces an inflationary element in exchange which tends to raise the whole price level, or, in other words, to alter the power of the unit.

GOVERNMENT DOES NOT QUALIFY

Any monopolist is a disturbing factor in exchange and the worst type of monopoly is political government. Government is a public non-profit enterprise; money is an agency inherently devoted to private profit enterprise and free exchange. Government has no competitive restraints; it does not sell its service by inducement. It makes no over-the-counter bid for its issue. It merely levies upon the wealth of the community without regard to the value, or any means of determining the value, of its services. It has no free exchange method of backing its money issue and lacking that, it is not qualified to issue.

Governments are operated by fallible men who are not individually responsible for their acts, as are men in private life. The reaction from their false action falls upon the citizen and not upon the officials. The paternalism that the political money system has permitted government to affect is the reverse of the truth. The citizen is father and the government is child. The citizens must nurture and discipline government and their exclusive control of the money system is the essential implement therefore. To lose it is to lose sovereignty. A government with money power can free itself from citizen control, and pervert the economy by injecting into it unbacked money.

The cost of government must be borne by private enterprise but government can and should be denied the power to insinuate the cost into the price of commodities and the cost of living. It can and should be obliged to present its costs openly and obviously, so that it will excite the resistance that any excess may justify. To permit government the money creating power is to enable it through an unbalanced budget to increase the cost of living and deceive the citizenry on the actual cost of government and thus free itself from citizen control. It must, therefore, be confined to the status of a credit power participant in exchange. In other words, before it can spend money, it must collect it from the sum already created by the citizens. It must be unable to create money by the debit power which power must be confined to private enterprisers. This compels it to maintain a balanced budget and protects the economy against inflation, which is its worst enemy, and assures the citizen economical and responsible public service.

Thus we see that money mastery means not only economic mastery but also political mastery. It reserves to the citizen-trader the essential part of his sovereignty, and brings both government and business under democratic control.

The proposed exclusion of government from money creating power is stated as an ideal and does not imply that a private money system cannot operate without this as a condition. A private money system will probably have to begin while the political money system is operating; and therefore, the extent of the participation of the state in the private money system will probably not be a question at the outset. Nor does the principle of the governmental non-participation in debit power imply that such participation is ruinous to a private money system. It is perversive, but all money systems in the history of money have been perversive and money systems will operate, no matter how perversive, because a money system of some sort is indispensable and trade will use any system in the absence of a better one.

In conclusion it is perhaps appropriate to define money, and contrast our definition with the orthodox definition or description.

The word money has two meanings:

(a) a concept of abstract value as a unit of computation.

(b) an instrument expressing, in some numeral of the unit of computation, a consummated half barter transaction and involving traders in a pact to accept it in exchange for a value equivalent to that which it mediated in the previous exchange.*

*Trading by means of money may be practiced in the concept (a) and under the pact stated in (b) by means of mental or written record and without the use of negotiable or transferable instruments.

The conventional "definition" of money is as follows:

Money is a medium of exchange; a measure of value; a store of value; and, a standard of value.

This is a statement of four functions that money is supposed to fulfill, in the confused orthodox concept.

MEDIUM of EXCHANGE

This is so broad that it conveys no comprehension. A vehicle, a memorandum, an agent, a verbal intercourse, etc. are media of exchange. If we say "a medium of split barter," the statement becomes definitive, because only money can serve this purpose. The word "exchange" includes whole barter, (in which a commodity and not money could act as a medium) as well as split barter.

MEASURE of VALUE

Money is not a measure of value. Value can be measured only by value and money has no part in the process of evaluation. Having no value, it is not a criterion of value. Money is merely a means of expressing value after it has been determined. Money (the concept) is the language tool of split barter. Money (the instrument) is the evidence of a consummated split barter in the sum of the unit

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STORE of VALUE

This apparently relates to the instrument or record of money credits. To say that it is a claim on value is the nearest concession we can make to the statement. The value that the money instrument or money record holds a claim upon, is in hands other than the money holder and is not stored, pledged or in any way identified, and the extent of its claim thereon is dependent upon the fidelity of the money system. If "store of value" refers to the intrinsic value of coins it is also false. For instance, if a silver dollar contains 36 cts worth of silver, the coin is 64% money and 36% commodity.

STANDARD of VALUE.

This approximates "measure of value," but is an effort to capture some of the superstitious quality that attaches to the idea that money rests upon a standard commodity.

These "definitions" are part of the arsenal of abracadabra that help to confound the student and obscure the teacher's ignorance of the subject of money. The two meanings of the word money, the concept and the instrument or record, are indiscriminately mixed in this parrot jargon.

The four cardinal truths of money practice are: The Purpose of Money, The Source of Money, The Backing of Money, and The Democracy of Money.

THE PURPOSE of MONEY is to facilitate barter by splitting each transaction in halves, obviating the delivery of value by one trader (the buyer) and permitting the other trader (the seller) to make requisition for his half upon any trader at any time. This is the sole purpose of money. Any effort to employ it to influence prices or control trade is perversive.

THE SOURCE of MONEY is the trader (the buyer) who receives his half of the barter. Since it arises out of the buying process, and is based upon the evaluation of the acquired value made by the buyer, it is obvious that it can have no other source, and is *created only by the act of paying for a purchase*.

THE BACKING of MONEY. Money is given its material backing by the seller through acceptance in exchange for value. Its moral backing is the buyer's pledge to accept it for equivalent value in free exchange.

THE DEMOCRACY of MONEY. Since trade is democratic, and since money is an instrument for facilitating trade, and since it can arise only from a trader in the act of buying, and be backed only by a trader in the act of selling, it is obvious that money is an instrument of democracy and the essence of man's sovereignty over business and government.

JOINING PRODUCING POWER AND MONEY POWER

These declarations involve a complete revolution in the rationalizing of money. For the first time the source of wealth and the source of money are seen to be identical. Heretofore, economics has located the source of production at one point and the source of money at another, with the result that synchronization and balancing of issue between wealth producing power and money power were impossible. Under the valun concept, the two are united, synchronized and made coextensive so that there is never shortage, never surplus and never lag. The individual thus conveys his services with one hand and requisitions his fellow worker's product in equal measure with the other, keeping production and consumption ever in balance at the highest level. This guarantee of mass distribution and consumption is the perfecting factor in the American system of mass production.

The old concept of money is that the worker must first get the consent of a power outside himself before he can requisition value. Thus his purchasing power is restricted and this, in turn, reacts on his selling power and this limits his productive power. In other words, the old method, by limiting buying power necessitated reduction of producing power and defeated mass production, while the new concept permits buying up to the capacity to produce.

There is no purpose in increasing mans capacity to produce, if his capacity to consume is not commensurately increased. As explained in Study No. 7, each of us is his own customer. Every man must buy all he produces, or surpluses develop at some places and scarcities at other places, throwing the economy out of balance. Therefore it is not only the right, but the duty of every man to buy the products and services of others up to the value of his own production. If this is accomplished, our scientific men may develop the mass production technique to the ultimate. If it is not accomplished, they are stymied.

If we can coordinate consumption with production we may develop our mass production to the point where the fullness of production will itself bring about the diminishment of hours of labor, the abolishment of child labor and the labor of the aged, and give us less work and more leisure, until the ideal balance between work and leisure is attained. That our production engineers can do their part in this aim, there can no longer be any doubt. The only question is: will we master money as they have mastered production? If we do not, we defeat them and thwart the attainment of this great social aim and the vindication of the private enterprise system.

THE SURPRISE WEAPON

Society is in the twilight of a passing day. The state now undertakes to finance the economy, and, since a free economy is manifestly impossible where the state assumes the responsibility of supplying the money circulation, the politician is compelled to choose between fascism and communism. Under either choice liberty is abolished and the people are enslaved. As the planners all over the world adopt their devices for a managed economy, and ideologists and sloganizers prepare their implements to condition the minds of men to their control plans, and the cause of human freedom seems defenseless, there falls into the hands of the people a surprise weapon that will turn the tide of battle and give the people mastery, not only over their private affairs, but over the would-be political planners. This weapon is the people's money power as defined in the following pages. It will change the whole course of human events into the paths of liberty, prosperity and peace.

THE VALUN PRIVATE ENTERPRISE MONEY SYSTEM, being non-political, has no nationality or boundaries. It is therefore naturally a universal money system, though it may begin in a local trading area anywhere and extend anywhere regardless of political boundaries. It offers, therefore, a new basis for the international union of peoples on the economic plane quite independent of their political differences.

CHAPTER 6

How Money is to be Issued

Checks and Currency and Their Basis

The money system is a vast accounting mechanism. The private accounts that are kept on the millions of ledgers of private tradesmen are all auxiliary to this master ledger which determines the meaning of the terminology in which these individual accounts are kept. Disturb or distort the master ledger and you affect likewise all the millions of subsidiary ledgers in the economy. Society must have a stable money system to preserve its own stability.

When businessmen resolve to set up a money system, they agree to hold in trust for each other goods and services that are pledged against the drafts which they have issued in the form of money. These values—that are held in trust by all for any who may present a money draft therefor—constitute a vast pool, not housed at one place, but scattered throughout the trading sphere. This vast pool of goods and services is the basis or backing for the outstanding money supply. "Reserves" and metal hoards are but window dressing. Only that which is purchaseable is back of money.

While all the traders in the Exchange hold values in trust, none knows who actually may present an ownership claim therefor by the tender of money, and whether there is warrant for such tender. Therefore there must be a central bookkeeper, with an all-seeing eye, that keeps account of who holds values and who holds claims thereto. Some means of conveying this information to and from the central bookkeeper must be available.

For the purpose of fixing in our minds the fact that money exchange is accountancy and that no value attaches to the money instruments, let us assume that the central bookkeeper operates by telephone, without money instruments. A telephones the central office and states that B has ordered some merchandise at a given money price and asks whether B's account will permit the charge. On being assured that it will, the goods are shipped and the central bookkeeper debits B's account and credits A's. Thus a perfect money transaction has been consummated because values were stated in terms of a money unit and value has moved only one way, and from which there has arisen a debit and a credit warranted by the rules of the money system. Yet no instruments have been issued, and thus there is nothing material upon which the mind can fix a value or attach a superstitious power. This demonstrates that money is first of all a concept in accountancy and that it may be expressed verbally. We may go further and assume that, in confirmation of the above transaction between A and B, B sent to the central bookkeeper a duplicate of A's order. Still we think of the transaction as a simple bookkeeping transaction and there is no superstition attaching to the duplicate order.

Let us hold to this bookkeeping concept and assume that, with the order for the goods, B sent via A an order known as a check directing the central bookkeeper to debit his account and credit A's account, and that A sent this to the central bookkeeper instead of a duplicate order. In spite of the fact that the check is known as a money instrument, it is still nothing but a bookkeeping memorandum—and is not in the least mystifying.

Now we will assume that B calls up the bookkeeper and says that it is inconvenient to write checks for petty transactions; and asks if the bookkeeper hasn't some plan for obviating check writing. The bookkeeper says, "yes. I have some bills, in different denominations and coins, that require no signature and are good in anybody's hands." B asks how he can get them. The bookkeeper says: "send me your check for the amount you want and I'll give them to you. I will debit your account for your check in the regular way." Now, because nicely engraved pieces of paper and pretty coins meet the eye, we are in the zone where the greatest superstition arises. To most persons these instruments are money, and nothing else is money. Yet these are but bookkeeping instruments like the check and the duplicate order. In essence, they are the same, but the check is better suited to the purpose visualized than is the duplicate order, and the currency is better suited than is the check for certain purposes. Neither the check nor the currency accomplished anything more than did the telephone call; all were instrumentalities of bookkeeping and each effected a money transaction.

How does the currency spring into existence? As we have seen, someone had to order and authorize it. The bookkeeping method is to set up a special currency authority who has caused to be fabricated the pieces of paper and coins. When a check is written for it, the amount of the check is debited to the account of the check writer who receives the currency and the same amount is credited to the currency authority. Thus the currency is just as much a creation of the check writer as is the check which requisitioned it. It becomes the equivalent of a certified check payable to bearer. No mystery, no magic, nothing awesome. When the currency returns to the bookkeeper, it is credited to whoever returns it and charged back to the currency authority where it is held subject to some other requisition for it. Note that the currency sprang out of a book account, just like the check and that both, therefore, have the same basis.

The currency under the valun system will of course be manufactured at some central plant where adequate safeguards will be set up against theft; and the counterfeiting problem will exist as it does with any money system. It will be the duty of the Central Board of Valun Exchanges to provide the currency in bills and coins on demand of the various Exchanges, so as to provide uniformity and central control.

The promise to pay and promise to redeem or exchange—forms that are used on existing money instruments—will not be used. There is nothing to pay and nothing to redeem in true money. Its purpose is to requisition goods and services, and not to requisition some other form of money. The check form need but say, "Credit the account of .... and debit the account of the undersigned." The currency bills need but carry the word VALUN and the denomination. Coins need carry only the word VALUN with the fraction they represent such as 1/100, 1/20, 1/10, 1/4, 1/2. The name of the 1/100 would be cend, (Esperanto) the five cend piece might be called the quin, the ten cend piece, the tenth. The material from which the coins would be stamped should be the most inexpensive that would serve the purposes of wear and weight. Some concession might be made to the vending machine industry.

To enable the valun system to render the check clearing service rendered by banks—without their luxurious quarters and extensive units and branches—it is proposed that only one Exchange be set up for each state; in any satisfactory quarters, even if it be in an industrial section. This plan precludes the necessity for members to visit the Exchange, and relies entirely upon the mails for conveying deposits and returning vouchers. Such a plan must provide the means for drawing and depositing currency and to serve this need it is proposed to have Valun Currency Counters in business neighborhoods.

NEIGHBORHOOD CURRENCY COUNTERS

A Valun Currency Counter would be authorized by a franchise issued by the Valun Exchange to an applicant member located in a business neighborhood where there might be sufficient demand to justify. The primary function of the V.C.C. would be to accept deposits of currency or checks for currency on demand. Members requiring currency would issue checks payable to the Counter dealer— who would surrender the currency just as is now done by banks. If a member wished to dispose of currency, the Counter dealer would issue his check for it. If the member wished to store cash with the Counter dealer overnight or the weekend, he could do so and be guaranteed against loss. The Counter dealer would of course have to provide himself with a safe and adequate burglary protection. The currency would be available to the Counter dealer from the Exchange by some safe conveyance but it is believed that there would be but little occasion for currency to return to the Exchange—because a dealer finding himself long would probably also find some other dealer, in the same city or neighborhood, who was short—and who would buy the surplus with his check.

The secondary function of the V. C. C. dealers would be to buy valuns for dollars, or dollars for valuns, at the current rate of exchange. Since all valun members would (at the outset) be obliged to do business on both a dollar basis and a valun basis, and since some non-members would sometimes come into possession of valuns, the need for such "foreign exchange" service is obvious. The existence of such a money market would serve the additional purpose of establishing an official differential between the dollar and the valun, for the purpose of pricing goods and services in both units.

The Counter dealers would be organized in the Valun Currency Counters Association and would report their valun-dollar dealings daily to their central office where the exchange rates would be determined after business hours every day, and wired to the members of the Association every morning. These rates would of course be determined by the law of supply and demand. If valuns be in greater demand than dollars, the dollar price of valuns would rise. If there be greater demand for dollars, the dollar price of valuns would decline. It is expected that there would be a continuous trend favorable to the valun (i.e., the dollar price of valuns would show a trend rise) but there may be reactions, and the daily variation would probably be irregular.

The V.C.C. Association, as it announced the daily exchange rate, would supply a guide to merchants for the double pricing of their wares in valuns and dollars. Thus if the valun rate were announced as $6.65, it would mean that any merchandise bought by the merchant on a valun basis and given the usual mark-up, would be multiplied 6.65 times to get the dollar price. If an item be bought on a dollar basis and given the usual markup, a deduction of 85% would be made to arrive at the valun price. This percentage would be announced publicly every day so that buyers, as well as sellers, would know the differential.

There would be no agreement among dealers to follow these price differentials and this would not affect the scale of prices of different dealers. However, if a dealer did not follow the differential in his valun and dollar pricing, the tendency would be for buyers to purchase, at the Currency Counters, valuns or dollars whichever gave them an advantage with the merchant who had failed to follow the official differential in his pricing. This in turn would work to the disadvantage of the merchant when he came to convert his dollars or valuns, one into the other. The influence of the Valun Currency Counters would therefore be to make the differential between dollar and valun uniform in all shops, however much their price scales might vary. At the outset, the practice would be to quote prices exclusively in dollars, with the discount for valuns. As valun trading gained the ascendency the practice would probably be adopted of quoting exclusively in valuns, with the premium rate in dollars.

The Valun Currency Counters would be privately owned and conducted under the terms of the franchise issued by the Valun Exchange. All services rendered by them would be subject to an appropriate fee which would be stipulated by the Exchange or regulated by competition. Whatever the cost to the members might be, it would be less than the cost of maintaining branch Exchanges after the manner of the present banking system with its many units and branches luxuriously equipped.

The checks that pass through the Exchange would be its continuous stream of income by reason of a charge on each check cleared, and this per check charge should be minimized by economies wherever possible. There is in the valun system no need to do the pretentious thing—to inspire public awe and blind confidence. There is no occasion for window dressing or display of any kind. The system is to be a matter of fact institution—serving the simple needs of exchange, reflecting the democratic control of its members, and serving them essentially as community bookkeeper.

CHAPTER 7
Each Issuer's Limit
Determination of Each Person's Limit of Money Issue and Its Redemption and The Maintenance of Adequate Supply Without Inflation and Deflation

We come now to the crux of our problem in determining the money issuing power. Through the traditional bank credit practice, which is an outgrowth of the ancient aristocratic attitude, our minds have become habituated to attributing creditability to possession of material resources. We should be careful not to borrow mental attitudes from the autocratic political money system which we are undertaking to renounce.

There is no psychology of grant in our system. Everything is predicated on rights and mutual interest. There is none among us who is endowed with special powers, hence there is none that can favor others. We are pursuing the ideal of a true money system because money exchange is indispensible to all of us. We are interdependent. We are interdependent because we have discovered that we call exploit ourselves fully only through others.

If we make all we consume, we must live a very low standard life. If we make things that others consume and others make what we consume we raise our standard of living. This requires exchange and as we have seen, money is merely a device for facilitating exchange and hence a means of exploiting our own wealth producing capacity. But let us not be confused by the exchange process. It does not, or at least should not, alter the rule that we consume only what we produce and produce all we consume.

Though each of us is but a very small part of the vast mechanism of production and perhaps apply our minds and hands directly to none of the things that we use and consume, yet all we acquire is of our own making. Regrettably, most of us have made even more than we have acquired because our unfair money system has caused others to gain some of our production through the deceptive processes of exchange.

If we make all we consume and consume all we make, does it not follow that each of us is his own customer and that a true exchange system is one that permits us to buy from ourselves everything we produce and nothing more? if I be a shoe maker and desire an automobile, I can make that automobile by making shoes and when I have made an adequate number of shoes, I should come into possession of the automobile. The transformation of the shoes into the automobile is the service that exchange renders to me, and the transformation of the automobile into shoes and other things is the way exchange serves the automobile worker. The function of exchange is to transform our production into the things we want.

If we would be fundamental in our thinking we must conceive it not only the right but the duty of each of us to consume all we produce, or, putting it in exchange terms, we must buy all we sell. If we would sell, we must buy and, therefore, the solution of the problem of selling our services adequately is to buy them adequately, indirectly by buying the services of others. The reciprocating movement is that others buy their own services, indirectly by buying ours. To permit the natural action and reaction of exchange to bring us boundless prosperity and security each of us must be enabled to invoke it through our inherent money issuing power.

All our economic ills are traceable to the folly of believing that our buying power can be vicariously exerted, i.e., that the government and those few who have bank credit can do it for us. They can no more buy for us than they can produce for us. The wealth producing power must be coordinated with the money issuing power and reside in the same places - namely, in everyman.

If exchange plays no tricks on us, all of us are working for ourselves; all of us are buying from ourselves; all of us are selling to ourselves. Now what are we buying and what are we selling? We are all buying and selling the same thing. This is human energy, mental and physical. There are infinite varieties of human energy in physical form but, basically, there is but one commodity in exchange and that is human energy. It is the only value.

LABOR MONEY

Others have comprehended this and from this premise - that all value is labor, and that money is based on value - have reached the conclusion that money must be based on labor, and rightly so. The fatal error, however, that labor money planners have made is that they set a measure of labor, such as an hour, as a unit of value. This destroys the entire function of exchange, which is to evaluate labor. When exchange is not free to evaluate, it is impeded, and when exchange is impeded, production is retarded.

While it is true that labor, mental and physical, is the only value - and therefore the sole commodity that passes through exchange - it does not follow that labor is uniformly valuable. To state that all value is made up of labor, is not to state that all labor is equally valuable or even that all labor is valuable. Labor may be wasted; it may be so unintelligently applied that it is worthless.

In the many efforts to set up a labor money system, we see how logic based on a sound premise has been frustrated by the old habit of undertaking to establish a fixed unit of value for money. This inability to comprehend the abstract value unit which our system comprehends - has been the undoing of all money planners of the past. In truth, all money systems that have existed, and all that can exist, are labor money systems because there is nothing else upon which a money system can be based, since it is the sole value. But a money system can, and all thus far have, distorted the exchange process of evaluating labor to the prejudice of the many and the advantage of the few.

We are all laborers and therefore fountains of wealth, in that we emit human energy, but we must direct that energy the way our fellow laborers would like it; and in the measure in which we respond to this demand will our energy be valued - and not by the time we have consumed in projecting it, nor by the sweat and toil that we have sacrificed. In turn, our fellow exchange participants must project their energies to our liking. These processes of projecting and evaluating energy are the function of exchange and, after evaluation has been determined, money expresses the evaluation; but money, if it is true, will have no influence whatever in determining the value. Money is not a measure of value; it is a method of stating a value determined by exchange.

The ideal we are striving for, therefore, is to keep money neutral in the exchange process; and to do this we must make it available to anyone who wishes to utilize it within certain bounds. These bounds are not easy to determine.

The principle can, however, be simply stated thus:

Every person or corporation is entitled to create as much money - by buying, as he or it is able to redeem - by selling.

As we have pointed out, each of us is basically his own supplier and his own customer. The exchange process is in fact a shuttle movement. The shuttle goes from us laden with our energy and returns it to us transformed into the energy of others. Or it comes to us first and we return it. The movement is initiated by money power; and whoever lacks money power is unable to start the shuttle. An economy that restricts its shuttle starters, limits its productivity. The power to start the shuttle is really the power to buy from one's self, i.e., the power to create demand for one's own services. A true money system must make this power available to all.

While the power to buy induces demand to sell, it does not follow that this reciprocal invariably reacts on a particular buyer, for he may not have the particular value for which a demand has been created. Therefore, we cannot solve the economic problem by merely providing money power and multiplying shuttle-starters. If the problem were as simple as this, we could establish the money creating power for everyone without limit on the assumption that selling would automatically balance buying in each case. Buying does create demand that reacts on some seller, but not necessarily on the one who created the demand. There is, however, no way of determining in advance whether a particular buyer may create demand for his own wares or services. Since this is so, it is obvious that exchange can operate only on a trial and error basis. The problem we must solve is how large a margin of possible error shall be alloted to each member of the Valun Exchange.

A STARTING POLICY

The best that we can do is to set up a policy subject to amendment as experience may dictate. While there is possibility of error this should not intimidate us, because greater harm can follow from erring on the conservative side. Exchange must not be impeded even though some exchanges fail to realize their ideal. It is better to allot too much money power than too little - because it is impossible for successful exchange operators to willfully abuse this power; while it is possible to starve potentially successful operators.

To illustrate: Suppose a member has a debit power of 10,000 valuns, i.e., has the power to overdraw his account to the extent of 10,000 valuns. Assume that he has drawn down for his buying to the extent of 5,000 valuns when returns began coming in from sales; and these current income credits on his account then equaled or exceeded his current expenditures. It would be impossible for him to create more valuns, because they could be created only by diminishment of his income - since the income would cancel valuns as fast or faster than he could create them. Money income destroys money creating power, as money can spring only from a debit balance. Only the moneyless can create money.

The normal experience of business is that income and outgo keep approximately abreast of each other; and our purpose is merely to provide a margin of discrepancy. In some industries this is larger than others, due to the length of their turnovers. Some industries, particularly the farming industry, must expend for a long period before returns come in. Others - for instance, the retail grocery business - have a lag of only one to two weeks between outgo and income.

A study of the turnover of various industries should be made as a guide for variations from a general rule. As a general rule for the initiating of trading on the Valun Exchange, we propose the following.

Each employer would list with the Exchange the names of employees who are members of the Exchange - together with the amount of salary payable to each over a three months period, including officers and owners. The amounts, so stated, to constitute the debit limit of each such employee.

Each such employee-member to be authorized to write checks up to the limit stated. The amount of the stipulated salary to be credited to the Exchange account of the employee as earned and simultaneously debited to the employer's Exchange payroll account. Checks written by employees to be debited to their accounts. No further payroll process would be necessary. Thus the money creating would begin by employees writing checks for their needs. If employee A had a salary of 100 valuns a month, his debit power would be 300 valuns. In other words, he could overdraw his account up to 300 valuns.

The employer would have two accounts, a payroll account and a commercial account. His payroll account to have a debit limit equal to his total payroll for three months. His commercial account to have a debit limit of 1/2 this amount or as much more as the class of his industry entitles him to as determined by the industry study of turnover.

To include all members in debit power, thus providing for those who are on no payroll, a minimum of, say 100 valuns might be provided for every member.

These debit limits would not be loans, no instruments would be executed for them and the actual debit would be the amount of overdrafts on the account. There would be no term to them; and they might be maintained indefinitely. The reason for this is that they constitute the money supply and are necessary to exchange, and there is no reason for making them rotating. Debit balances on some accounts of course imply credit balances on others.

Therefore it would be impossible for all members to have debit balances at the same time. Some might start their check writing against a credit balance and never have a debit balance and some might remain chronically on the debit side.

Under the above proposal, exchange would begin by consumers purchasing at retail, and by employers purchasing at wholesale. At the end of the initial 3 months period, the employer would find himself with a debit to his payroll account equal to the total earnings of his employees during that period. This would be the limit of the payroll account. For his employees to continue their drafts, he would have to draw on his commercial account - in which would have been deposited all his receipts, and in which he would have a debit power of 1/2 his three months payroll.

EXAMPLES

An example: An employer has 50 employees and their total pay per month is 5,000 valuns or a total of 15,000 valuns over three months. Besides this debit power on his payroll account, he would have 7,500 valuns debit power on his commercial account or a total of 22,500 valuns. Only his employees could draw against the payroll account. At the end of the three months his payroll debit power would be exhausted; and, to continue the power of his employees to draw against his payroll account he would have to transfer to it from his commercial account enough to provide for the next three months. Employees would have a permanent debit power equal to three months salary.

Employers would have a debit power the first three months equivalent to 1 1/2 times the three month's payroll during the first three months, and one third of such sum permanently.

As stated, the proposed debit limits are merely an estimate of what would provide sufficient circulation for a start. Demand for additional debit power would not be a matter of individual request, but rather the determination from the industry study of turnover, which industries required more and how much. The determined amount would be allotted to every member within the particular industry in ratio to his sales for the previous year or six months.

As for employees, the debit limit for each would be automatically adjusted by the wage or salary, with the only question being, whether the three month period is adequate.

Persons who are not on a salary basis, such as the commission salesman, the news dealer on the corner, and others who are neither employer nor employee would come under the minimum debit limit which might be, say, 100 valuns. Professional persons, such as doctors, lawyers, ministers, architects, engineers, etc., like farmers, would be classified under the industry survey with an appropriate debit allotment assigned.

Each member, with his debit limit assigned, could then, within such limit, create fountain-pen money by the mere writing of checks. If any currency be required, he would present his check to the nearest Currency Counter dealer and receive bills and coins as desired. If he should exceed his debit or over-draft limit, his check would be returned just as it now is when he exhausts his credit balance in a bank.

There would be no payroll problem for either employer or employee. The Exchange would automatically credit the prescribed pay to each employee's account each pay day and the employee would enter his pay in his check book. Of course, any check received by any member would have to be mailed by him to the Exchange for credit to his account and debit to the account of the check writer.

Under this plan of employee money creating power, employment is given a stimulus; because each employee brings to his employer his own debit power, and the employer has a three months deferment of wage payments. This is a vital contribution toward the sale of labor services because it makes the payroll less forbidding. Each employee becomes a capitalist who brings not only his services but his own financing. Each employee in effect buys his own services. This puts money power at the most vital point. It also cushions unemployment; because an employee laid off need not stop buying unless he has exhausted his debit limit.

MONEY POWER THE STABILIZER

Once we have established the principle of debit power for employees, we have released a power for stability that is not possible when this power is confined to employers or sellers of goods. How far we may go in this direction can not be forecast but it is plain to be seen that debit power at this point can positively prevent depression because sustained purchasing power means sustained employment demand.

When goods show a tendency to accumulate in warehouses, it indicates that employees have not been paid wages high enough to buy the goods they have produced. Reduced production then ensues; which means reduced employment, and this in turn implies reduced purchasing - thus accentuating the unbalance between goods supply and money supply. Perfect competition should preclude this unbalance between goods supply and money supply because it would compel adequate wages. But can we hope for perfect competition? While the political money system is the greatest disturber of competition, there are other disturbing influences, also attributable to political intervention.

If there be no recourse other than to introduce a compensatory force to balance the inequities of imperfect competition, the valun system will be found ideally suited therefore by reason of the simple measure of continuing debit power even with a discharged employee. This would prevent the depression spiral from forming, and would nip a threatened depression in the bud.

A depression means shortage of employers and surplus of employees; but is it not made less menacing when money creating power resides on the employee side of the employment line?

Would it not induce some employees to step across the line and become employers (since employment does not mean an immediate drain upon available funds) thus tending to restore the balance between employers and employees?

The aim of the valun system is to establish a true money system, and to rely on competition to keep the economy on a steady keel. It is not inspired by the aim to establish a compensatory system for inequalities that may exist in exchange; but we point out that, if a compensatory program must be pursued, the valun system supplies the need effectively.

CONSTANT DEMAND

Since constant employment, with resultant constant production and constant consumption, is the ideal of an economy, may we not resolve to make it actually so by regarding the employer-employee relationship as existing between the whole body of employers and the whole body of employees rather than between individual employers and individual employees?

If we take this attitude it is simple to provide - in the Valun Exchange - a central employment bureau where employee-members are registered with full information of their qualifications. Should any be laid off, they could continue to draw on their account to the extent of 1/2 or 3/4 of their recent salary until some other employer or their former employer reengaged them.

This policy can be justified on the ground that there would be no disemployment unless employees had been underpaid - thus making it impossible for them to buy the goods they had produced - and the disemployment compensation is to correct this previous inequality.

During the disemployment period consumption would be continued while production would be retarded, thus tending to restore the balance between production and consumption. The employee in effect *would buy himself back into employment;* because his consumption would induce demand for production, just as his previously stinted consumption had brought about his disemployment.

Would this issuance of new money during non-employment be inflation? No, it would not. *Inflation is the issuance of money against a non-value*. Here we have the issuance of money against values previously produced and priced abnormally high, so high in fact, that there was not sufficient money supply in the hands of employees to purchase them. In other words, the condition of unemployment was produced by an *inflation of goods supply* - causing prices to decline - and the action proposed is a deflationary influence upon goods, causing prices to return to their norm.

If, however, we must choose between a higher price level, with continuing employment, and a lowered price level with unemployment, the choice would be unanimously for the former.

We can resolve the membership of the valun system into a community within the general community - an inner community where the evils of the political money system are barred; and where other evils, that may be inescapable, are compensated for, and the economy thus kept on an even keel.

It is not the purpose of this study to outline arbitrarily a debit policy. Debit policy is the vitals of the whole system and if the principle of the democracy of the money power is respected, all else is a matter of judgment and preference as willed by the members through their elected servants.

It is possible not only to assure continuity of prosperity of all employed members of the Exchange, but also to even absorb gradually the unemployed from among the non-members. The cycle of production and consumption need not begin with production; it can begin with consumption. An unemployed person may actually *buy himself into a job* by consuming existing goods, thus inducing demand for labor. Since a person having valun debit power can spend his valuns only with suppliers who are members of the Valun Exchange, his demand can be directed only within the system; and thus all reaction remains within the valun community.

We shall not have fully comprehended human rights until we recognize the right of every man to proffer his services to society by the practical means of requisitioning the services of others through his power to issue money. In an exchange society man's only means of employing himself is to employ others and thus induce the reaction of demand for his own services. In sheer justice, therefore, we cannot deny to any man the right to issue a draft upon his own energy, even though, at the time of such issue, he is unemployed.

FEARS UNJUSTIFIED

The fear of moral delinquency, as a hazard to debit power exerted by individuals without discrimination, can be dismissed because of the unity of the accounting system. A Valun Exchange would be a St. Peter's ledger on earth which could condemn a faithless man to economic perdition. Under the political money system, every bank is an individual issuer of credit and there is no central ledger; and one may default repeatedly and still remain in the economic community. Not so in the valun system. There is only one ledger of debits and credits. Nothing is expected of any one who issues valuns through his debit power other than that he will accept valuns when tendered for goods or services at the current market price. If he fails in this, it will soon show up on his account. If he has been willing to deliver his wares or work at competitive prices and has found no takers, the fault is not moral. If he wilfully refuses to accept employment or patronage, he automatically brings upon himself ostracism from the entire valun community. This self-imposed injury is much greater than any harm to the remaining reputable membership - which will go on functioning without noticing his departure.

There will be honest failures - since men will continue to be fallible - and the system should provide some way of reestablishing the debit power of such persons; but this is one of the matters that may be left to the common sense of the members to decide.

The question as to what becomes of unsatisfied debits that result from failures, is not one that is peculiar to the valun system. Losses in business are absorbed in the price of goods and this is one of the influences that tend to raise prices. There are, however, other influences that tend to reduce prices - notably the loss of currency, which in turn is countered by the presence of counterfeits. These factors are not serious and may for the purposes of this study be ignored.

We may assume that every issuer of valuns will redeem with goods or services all the valuns he issues; and the failure, for whatever reason, to do so can not be as harmful to the economy as is a pessimistic policy which would hamper exchange. It is far better that money be issued beyond its actual redemption than that it be issued below its possible redemption - since the latter course hampers exchange, and this in turn retards the production of wealth. Idle man hours are a more serious loss than unredeemed money and the former must never be hazarded by pinching the latter. Interrupted production is the only loss that is a net loss.

CHAPTER 8
How the Unit is to be Determined
The Method of Fixing and Stabilizing

A money unit that is not sponsored and controlled by a political government naturally has no political boundaries, and is in its nature a potentially universal unit. The valun, being a non-political private enterprise money unit, is boundless in the scope of its operation and, if successfully launched in any locality, may and should spread to all parts of the world.

There is, of course, nothing to preclude any organizations of private enterprisers from adopting valun principles and setting up units by other names, but, if this should prove to be the case, they will be as foreign to each other as are the present political units, of which there are some sixty. The probable evolution, however will be an extension of the valun—because, if it demonstrates its success, there will be no need to imitate it—since participation in the valun system will be open to all. A universal monetary language is advantageous to all, and therefore to set up another language is to defeat the purpose of trade, which by nature is interdependent and unionist.

Thus we may approach the problem of determining and defining the valun in the consciousness that we are creating an implement of world trade as well as one to serve the members of the initial Exchange that may be organized. A review of the present polyglot money units of the world may help us in gaining this universal consciousness. All the money units of the world rate numerically lower than the dollar except the English pound which is higher.

To comprehend the meaning of the varying positions of money units in the scale, it will be helpful to refer back to the catalogue of value relatives in Study No. 5. In this example we took the sheep as the unit, thus making it the figure one and other commodities were set in mathematical relativity thereto. Thus the horse, for instance, became 5 because it was presumed to be five times as valuable as a sheep or as valuable as five sheep. Had we taken the horse as the unit, it would have become the figure 1 and the same value relationship would have made the sheep .20 or one fifth of a unit. Had the candle been taken as the unit, the sheep would have been rated 100 units and the horse 500 units. Thus we see that rating a unit numerically higher or lower does not indicate its standing in the scale of creditability.

What does indicate the standing of money units, in the scale of creditability, is the record they maintain in holding their initial position in the numerical scale. For instance, the English pound, before it began to decline, was rated at 4.86 to the American dollar. It is now officially quoted at 4.03; and, if the American cooperation in artificially bolstering it were withdrawn, it might fall as low as two or lower. That it was set originally at nearly five times the numerical level of the dollar reflected neither credit to it nor discredit upon the dollar, but that it has fallen below that level indicates discredit to it.

MONETARY ISOLATION

Political money units are artificial isolationist criteria, whereas trade is by nature unionist. Therefore trade, that should have no boundaries or difference in language, is made polyglot. It becomes necessary therefore, in international trade, to translate one political unit into another. This is called foreign exchange.

Here another sphere of relativity is created in which, as in all relativity, there is necessarily a positive pole—or the figure one. The premier unit among money units, or the figure 1, is determined by the criterion of stability among those nations having the largest foreign trade. The unit that varies the least in its power in internal trade becomes the world standard. The world standard, since the English pound surrendered its leadership, is the American dollar—which has been standard during the present century.

It happens that prior to 1934 the U. S. government committed itself to give $20.67 for an ounce of gold, and since then has been committed to pay $35 per ounce, but the fact of the original commitment had no affect upon the international rating of the dollar, nor was it changed by raising the price of gold. It meant merely that the equivalent of the dollar could be expressed in a weight of gold. The dollar is and has been for nearly a half century the international money standard regardless of the policy of the U. S. government in pegging the price of gold. Therefore all foreign exchange is dollar exchange, however some minds may be confused because of the gold pricing. As the dollar declines the purchasing power of gold declines—showing that the dollar, and not the gold, is the controlling factor. Gold does not exert its purchasing power directly upon other commodities, but vicariously through its patron, the dollar. Therefore dollar decline means gold decline. This tandem decline will continue until $35 per ounce will be (due to the depreciation of the dollar) an insufficient price for gold. Gold and the dollar will then part company and gold will trade on its actual value like all other commodities.

As all political units are foreign to each other so the valun will be foreign to all, including the dollar. In due course, if the valun demonstrates the greatest stability, it will wrest leadership from the dollar, and become the international money criterion. If and when that point is attained it will signify the doom of the political money system, and the approaching end of all national or political monies; and the world will then be united on the economic plane, regardless of its political divisions.

As stated in Study 5, any commodity or unit of value may be adopted as the money unit. However in the presence of existing money units it is expedient to make a new unit either par with or a fraction or multiple of, some existing money unit. Obviously—because the valun is to begin in the United States, and because the dollar is also the international standard—it is advisable to base the valun on the dollar. As is explained in Study 5, this implies only the key note or the starting point; and thereafter the two units become separate entities. It does not, should not and cannot imply any fixity of relationships. But if we wish to start the valun par with the dollar we must identify the dollar by date; because here has been wide variation in the power of the dollar during its lifetime. The following table, made up by the Federal Reserve Bank of New York, shows the price level, which conversely shows the increase or decline in the power of the dollar from 1913 to 1939.

YEARLY AVERAGE 1913—100

1913	100	1918	162	1923	169	1928	170	1933	130	1938	152
14	100	19	178	24	170	29	170	34	136	39	151
15	102	20	202	25	172	30	163	35	143		
16	116	21	170	26	171	31	150	36	147		
17	141	22	162	27	169	32	136	37	155		
	+41		00		00		-20		+12		

Underneath each column of five years is shown the increase or decrease in the price level from the first year to the last in the bracket, though it should be noted that even in the 1918 to 1922 bracket, and the 1923 to 1927 bracket, where the price level returned at the end to that of the first year, there was variation in the intermediate years. From the 1913 base year the peak of the increase in the price level was in 1920 when it stood at 202, indicating that the dollar had approximately half the power of 1913. We are now approaching that level again—and of course the inflation will continue to reduce it to possible extinction.

The ideal of money unit stability has never been and can never be attained by a political money unit. This is because it is constantly disturbed—either by the bank loan process, or by political fiscal policy. Both these influences are eliminated in the valun system, and therefore business may at last hope for and expect a money unit that has approximately the same power in one generation as another. We say approximately, since it may be too much to expect perfection, in view of possible political influences, even though the direct influence upon money be removed.

THE 1939 DOLLAR

Concurrently with the organization of the first Valun Exchange there will be organized The Central Board of Valun Exchanges, which will be the supreme authority for coordinating all Valun Exchanges. Upon it must fall the task of determining and proclaiming which dollar the valun shall be based on. We suggest the year 1939 because it was before the war inflation had exerted its influence upon the dollar, and before the price control law distorted the price index. In 1939 the price level was such that many one cent items of merchandise were on the market, a considerable number of which have since departed. The dollar is growing so small that the lowest denominations of coins are meeting with diminishing use. The unit should have such power that all fractions of it serve a broad range of usefulness in exchange.

Assuming then that the 1939 dollar is adopted as the basis of the valun, it will be necessary to compute the difference in the price level between that time and the time the valun is launched. There is no way of making the computation accurate because all price indexes are now unreliable, by reason of the price control law which makes it illegal to price items above the OPA ceilings. The affect is to mislead the price index bureau—because no dealer can afford to quote his black market prices, with the result that the price indexes reflect only "red market" prices, i.e., those prices which actually involve a loss to the dealer but which conform to the law. However, an approximation will do so long as some percentage is arbitrarily stated for the differential between the current dollar and the valun.

For instance, if, at the time the valun is adopted, it is estimated that prices are twice as high as 1939, the valun would be rated one for two of the dollar. If prices shall have risen 500% the valun will be 1 to 5. It is advisable to state some round figure approximation as the par basis—though, after current prices are stated in the two units, it will be simpler to state the price of the valun in dollars and cents. The method of quoting prices of commodities in the two units, and the price of valuns in terms of dollars, was outlined in Study 6.

SETTING THE RATIO

To proclaim the ratio of the valun to the dollar is simple enough. To make it operative is something quite different. The Central Board can proclaim the ratio—but, to make it so, the members must back it up by actual exchange transactions. This confronts us with the question as to what gives meaning to a money unit. If we think the question through we realize that nothing but practice accomplishes it. There is a popular superstition that the authority of government sponsorship, or some guarantee of redemption, or some reserve, determines the power of a money unit. But we know that money secures its meaning solely by the act of purchase— and thus the whole meaning comes from exchange itself. Nothing prior to or subsequent to or outside of exchange contributes anything. Figuratively, we may say that all the members agree to leave it to the Central Board to state the valun-dollar ratio, and we may even imagine all assembled in a room and by show of hands unanimously agreeing to accept the ratio announced. But that is not enough. Concurrence must be backed by *determination through actual exchanges*.

The question will be asked, "what is back of the valun?" As a matter of fact, like any money unit, until something has been exchanged for it, nothing is back of it. When it has exchanged for something, that something is back of it. Money's material backing is that which the seller surrenders in exchange for it; its moral backing is the buyer's promise to back it with an equivalent value when in turn he becomes the seller. Further than this, money has no backing and more than this it does not need, but this is indispensible. What then is needed to make the valun circulate is acceptors and prospective acceptors. The initial acceptors must be pledged to accept it for certain values which are determined by the valun-dollar ratio that has been officially adopted. Once this process begins, a mental attitude develops in the acceptors which makes them indisposed to surrender the valun for less than they gave. After the unit circulates a number of times the mental attitude of traders jells into a fixed habit of thought; and the unit has established itself firmly.

To attain this firm base, it is necessary for the members of the Exchange to be pledged to a definite price level for a period of say three months, during which they agree to neither lower nor raise prices in terms of valuns. The purpose is to get as much backing for the valun at a given level by as many traders as may be necessary to establish a mental fixation. After such period of mutual pledge has expired, the operation of the law of supply and demand should be unimpeded. The consequence should be variation in prices of different items, some higher and some lower, but the price level should remain approximately stable.

The preservation of the stability of the unit requires no positive action. It is natural for it to remain stable. If unstability manifests itself, it is indicative of the presence of some unnatural element. The elements of destabilization are, as previously stated, inherent in the political money system; they are not native to a private money system. Competitive traders (each under the necessity of keeping costs down to meet competition) and consumers (each trying to get as much as possible for his money) tend to keep the money supply in equilibrium with goods supply, and thus maintain a stable price level. The possible factors tending to disturb price stability in a private money system are discussed under valun Study No. 5.

After the initial price control agreement among valun members has expired, only natural influences will remain and the dollar price of valuns will reflect the stability of the valun, and the decline of the dollar under its inflationary influence. These dollar-valun prices will be quoted by the Valun Currency Counter Association as explained in Study No. 6.

Merchant members will follow these quotations in pricing their goods in dollars. Thus if the valun is quoted at $3.25, an item priced at 1 valun would be priced at $3.25, for the trade that is not in the valun system. As has been stated, all valun members will be obliged to deal with non-members on a dollar basis and therefore must maintain two sets of prices, one in valuns and the other in dollars.

The problem of determining the valun unit and stabilizing it will be the problem of only the first Valun Exchange. Succeeding Exchanges will be conditioned to its power by reason of the fact that members of new Exchanges, as a condition precedent to opening a local Exchange, must have previously traded with members of existing Exchanges, thus having accepted the valun on the basis of preceding Exchanges.

In the next Study we explain that any person or corporation anywhere would be qualified to hold Class B membership in any existing Valun Exchange. This Class B membership would entitle them to maintain an account in an Exchange and buy and sell freely, but not to overdraw the account—which is the process of creating money under the valun system, a power which is reserved to Class A members.

CHAPTER 9
How the Exchange is to be Organized
Organization State-Wise of a Private Enterprise Money System Either by the Leadership of the Governor or the Initiative of Business Men

There are several reasons why organization of Valun Exchanges should be state-wise.

It is natural for us to think, both economically and politically, in terms of state areas. The state is our primary political unit. Our state constitutions are written on a pattern of supremacy; with towns, cities, counties and other local units receiving their grants of power from them, rather than direct from the citizen. The sovereign power of the citizen rises to the state government, and from there it is delegated upward to the federal government and downward to subdivisions. We are, first of all, citizens of our respective states, and this implies citizenship also in local and national governments.

The thirteen original states were nations that agreed to enter a league of nations, called the United States, in which the citizens of each would participate in the election of the lower house of Congress; and the state legislatures would elect the members of the Senate. To remove the greatest element of disturbance between nations, the states agreed to set up no trade or immigration barriers at their borders. To effect solidarity, they agreed to delegate to the federal government the right to declare war and make treaties with other nations. To promote internal trade and unity, they agreed to abstain from making anything but the money unit of the federal government legal tender in their realms. The intent, however was to remain sovereign powers; the Federation was not a merger.

When, by the revolution, the thirteen colonies became independent states, each had its own money unit, and thus exchange between the states was foreign exchange, requiring translation of one unit into another. The advantage in abolishing this multiplicity of monies was obvious, but the implications involved in surrendering the money issuing power to the federal government was not comprehended. The gain to all in uniformity of money unit was visualized; the loss in sovereignty thereby suffered, was not.

We now realize that the money power of the private citizen is in fact his sovereignty, and that in yielding it he yields his sovereignty. Thus the transferring of the money power from the states to the federal government was the transferring of the citizens' sovereignty to the national government, and the reducing of the state to the status of a subordinate.

The political money system implies that the citizen will abate his natural money issuing power, and make the criterion of his exchanges and the regulation of the money system entirely dependent upon the government that he recognizes as the money power. By making the federal government the sole money issuing power, the individual states transferred the fealty of their citizens to the national government, because they became thereby dependent upon its money power. The citizen having thus had his fealty transferred to the national government—it was taken from the state governments—and the latter are now dismayed by the increase of federal power and the commensurate subordination of state power.

What has actually transpired is a reversal of the intent of the federal plan whereby the national government was to be dependent upon the states for grants of power. The national government, through its money power, is now supreme and in reality holds the state governments in subjection to it. Federal fiscal policy now determines the bounds of state sovereignty.

It took many years to reveal this structural weakness because, in the earlier days of the federation, the economy depended more upon the private issuance of money through the banking system, and thus federal fiscal power was dormant. The policy of the federal government up to 1932 was to leave to the banks the function of supplying money. During the Jackson administration, with the abolishment of the United States Bank, government participation in money supply reached its lowest point—with the government confining itself to the mere minting of gold and silver coins at a seigniorage charge to any one who brought the metal to the mint.

BAD BETTER THAN NONE

These were the days of wild-cat banking by state authorized banks —when the paper circulation was almost wholly private bank notes issued by irresponsible banks that relied on the old goldsmiths' law of averages, and issued far more promises to deliver gold or silver than their resources would permit. As we have previously pointed out, money will and must manifest itself in bad form if it cannot emerge in good form, and this alternate method has by no means been adverse to the development of industry. The wild-cat banking era was a very prosperous era as has been every era of money expansion. To be sure, they have all been followed by reaction when the falsity of the basis of issue was discovered, but the net result has been beneficial. Man must have easy exchange if he is to progress; and even if he must be deceived into it it is nevertheless better for him. Nothing is so adverse to man's progress as lack of exchange, and the most faithful money system, if inadequate, is worse than a faithless one that induces exchange.

President Jackson's idea of confining the government's participation in the money system to the mere certifying of fineness and weight of gold and silver coins was the original concept of government function when political money began, and from that modest participation to the almost exclusive money issuing function of the present day government, is a very wide swing of the pendulum. Experience has shown that both the conservative and the extravagant policies are evil, and that median policies merely partake more of one evil than the other.

Had the Jackson policy, of letting the economy depend upon private money, been accompanied by strict regulation and examination of banks, the result might have been worse because there is an inherent dishonesty in private money under the political money system. For a bank to issue credit payable in government dollars that are not available is just as dishonest as is the issuing of currency notes payable in gold coins that are not available. But the dishonesty cannot be eradicated because to authorize banks to make loans payable in "bank dollars" is to give them the power to expand the money supply indefinitely, with no corrective action such as follows in the periodic deflation or depression phase of the business cycle as the result of loans in "dollars."

The Jackson policy of private money was later implemented by strict regulation of the banks. This long effort to make a virtue out of a vice culminated in the Federal Reserve System, and reached its climax and denouement in 1929 showing that the wild-cat banking was no worse, with its irresponsible issue of currency notes, than is the modern banking method of issuing check writing power based on false promises to deliver government dollars.

In 1932 the exploded Jackson policy was abandoned, and then began the new government policy which is rapidly approaching its collapse. Under this policy, of unlimited money-issuing power, the government asserts over the community a financial dictatorship which subordinates not only the citizen but all the other divisions of government. All become suppliants to it and there is no thwarting of its power short of exhaustion through total inflation. It is a policy of buying acquiescence. As outlined in previous studies, local governments as well as citizens become suppliants to it and therefore subjects of it.

MONEY POWER IS SOVEREIGNTY

The states, to recapture their independence and sovereignty, must look to their citizens who, in turn, must assert their sovereignty by exercising their inherent money power. It was right that the states should have surrendered their money power but they should have surrendered it to their citizens, and not to another government. At the time the federation was formed the nature of the money power was not understood; and it was not realized that it is the essence of sovereignty. But we know now that it is and if we wish to preserve the federation and also home rule, we must now deal intelligently with the money power.

While the states have surrendered their money power, their citizens have not. The citizens have merely *failed to exercise* their natural powers against which *there is no prohibition* in either state or federal constitutions. This is not a political issue—requiring legislation or repeal of legislation, or constitutional amendments, or any official action—but it is, nevertheless, a profound political movement because, as the people assert their money power, their natural intimacy with their state and local governments asserts itself—since there is no other power that can step between. Today, the federal government stands between the citizen and local government, and thus alienates him.

If our states are to develop their individuality and counter the stereotyping influence of a monetary dictatorship, if local government and private enterprise are to work out their natural virtues, if democracy is to prevail in business and government, and if our federal republican system is to survive, we must meet our problems by dealing with their fundamental causes— the political money system.

To accomplish these broad and vital aims, the Governor or some other public official should take the leadership of this cause within his state. In the absence of this, leadership must be taken by private citizens. It offers an incomparable opportunity for public service.

While the money issuing power is inherent in every man, it can be realized only by a pact among many. Therefore, the *individual* is helpless, and *organized action* is necessary. The method of organizing a Valun Exchange should be no different from organizing any other cooperative movement. It requires only the concurrent action of a sizeable number of persons and corporations who share its aims—and this, of course, requires propaganda.

The first essential is the organizing of a "Money Plan Committee" to sponsor the propaganda. This committee should be composed of not less than 12 persons of as conspicuous standing as possible. The larger the number, the better. If possible each county or at least each congressional district should be represented.

It should locate in the largest metropolitan center in the state which should also be the location of the Valun Exchange when organized. Funds should be raised by contribution. The press, radio, mails and forums should be utilized to apprise the public of the plan to organize a state Exchange to carry on money exchange by the valun non-political, private enterprise money system.

After a reasonable amount of publicity has been had, "The Valun Exchange of the State of _________" should be incorporated as a non-profit membership corporation. It should provide the following officers: President, several vice Presidents, Secretary, and Treasurer and a Board of Directors of five or more, with the officers as ex-officio members of the Board. The officers and directors should be named by the Money Plan Committee, to hold office for the first six months after beginning of operations —after which the first members' meeting and election should be held. Nominal salaries should be paid to all officers and directors, pending a resolution to be presented at the first members' meeting setting salaries for the ensuing 12 months. The organization of the exchange should be in strict democratic form, with one vote for each member whether individual or corporation.

INCOME OF THE EXCHANGE

The Exchange should depend for its income and expenses upon a charge for check clearance. The fee for membership should be nominal and the same for individuals and corporations. The membership subscription should pledge the member to abide by the rules of the Exchange as adopted by the Board and the obligation to pay a charge for each check cleared as may be determined by the Board. All persons residing or transacting their business within the state would be eligible to full membership. Each county in the state should elect to the annual meeting of members a delegate who would be empowered to cast the entire vote of his county.

The membership drive should begin only after adequate advance publicity has been had and should not require more than 60 days to complete. Every chamber of commerce, as well as other organizations, should be enlisted in the drive and quotas should be set for each county. It is essential to enroll the farmers as well as urbanites. The larger employers should be enlisted to enroll their employees.

The membership enrolment should state whether the applicant is employer or employee and, if the latter, the name, business and location of the employer. If employer, the nature of the business and the number of employees should be stated.

Each employer should agree to pay his employees in all valuns or all dollars, or part in each as each employee requests, but each employer should, for his own convenience, undertake to have his employees agree upon a uniform method of handling the payroll. Study No. 6 outlined how "Valun Currency Counters" will supply exchange of valuns for dollars, or vice versa, for persons finding themselves short on one and long on the other.

MINIMUM REQUIREMENT

The Exchange should not begin to function until the three trades essential to life are well represented, namely; food, clothing and housing. A complete cycle should exist in each. By this is meant that the food and clothing industries must have ample retailers to accept valuns from employees and the retailers must in turn have wholesalers who accept from them, and manufacturers who accept from wholesalers, and farmers who accept from manufacturers and packers. Farmers must in turn have local stores or mail-order houses to trade with. Landlords must have suppliers who are members. If these three lines are well represented, the ordinary processes of exchange will cause the system to ramify and expand naturally.

A condition precedent to opening and operating the Exchange would be the determination and adoption of the valun unit. This was dealt with in the previous study.

While the valun will circulate mostly among members, it will not be confined to them—as there will develop naturally an outer rim of dealers who will accept them because they know that they can either pass them to some member of the Exchange, or sell them for dollars to "The Valun Currency Counters." These outer rim acceptors will sooner or later join the Exchange so that they may enjoy its facilities.

When the Exchange opens, each member will receive a check book and will be entitled to draw checks within his debit limit— in accordance with the rules of the Exchange as outlined in

Study No. 7. For currency in bills and coins they will present checks to the Valun Currency Counter in their neighborhood.

Any person or corporation or institution outside the state would be entitled to part or credit (Class B) membership. The distinction between debit or full (Class A) membership and credit or part membership is in the power of the debit or full member to overdraw his account; while the credit, or part member, can draw checks only if he has a credit balance on his account. These two classes of members will hereafter be called class A and Class B. The reason for the class B is to permit membership anywhere outside of the state without the necessity of the Board passing upon the debit power to be extended to such members. As Exchanges are opened in the states of such members, they could transfer their account to the local Exchange and thus classify as a class A member.

As Exchanges open in other states they would be joined with existing Exchanges for clearing purposes under central control— as will be explained in Study 10.

Members could not, of course, switch their business completely from the dollar to the valun at the outset. Therefore they would be obliged to quote prices and buy and sell in terms of dollars with non-members, while utilizing the valun in all dealings with members.

Business with the Exchanges would be transacted entirely by mail —making it unnecessary for members to visit the Exchange or to have more than one Exchange in a state. Valun Currency Counters would be in trade neighborhoods—thus obviating branch Exchanges, and minimizing the overhead cost of the system. The Exchange could be located in a loft. The cost of operating the Exchange would be minimized, and thus the pro rata charge for check clearance would be small. There would also be a small charge for converting checks into currency, or vice versa, but these fees would go to the private dealers authorized to operate Valun Currency Counters.

NO ATTACK UPON POLITICAL MONEY

The departure from the political money system does not contemplate any attack upon it, nor any interference with those who wish to continue to use it exclusively. The purpose is merely to demonstrate that a more stable and equitable unit can be established by private enterprise, through which its users will gain command over their economic and political affairs. If this can be demonstrated, accretion to the valun system, and attrition of the dollar, will automatically determine the issue. It is believed that ultimately political money will be abandoned everywhere because of lack of use. State, city, town, county and district governments, as well as the national government, would be entitled to membership in the state Exchanges; but, as explained in Study No. 10, they should be allowed only class B membership.

As the valun system develops within a state, the state government will retrieve the power and prestige it has now lost to the federal government; and the two would fulfill their respective functions with neither having control over the citizen. Both would have to win his support by service because the sole method of taxation of both would be on a cash basis. No financial finagling would be possible. This would give the state government a fair break, and destroy the bureaucracy that has harassed both it and private enterprise.

The Governors of our forty-eight states are unanimous in their denunciation of federal bureaucracy and centralized government. There is in fact a Governors' rebellion against these conditions but the rebellion will be futile unless the attack is directed against the fundamental cause—the political money system. The states cannot maintain their sovereignty so long as the federal government controls the supreme governing power—the money power. There should be a common cause between state officials devoted to the preservation of home rule and business men devoted to the preserving of private enterprise. There must be political and economic statesmanship to bring the general protest against prevailing conditions to a successful consummation. The states rights movement, to accomplish its purpose, must aid the citizen in invoking the money power.

CHAPTER 10

From State to World Operation

The Local Beginning of a Potentially Universal System, Developing Economic Union with Political Isolation

The world is accustomed to political money systems, all of which are established by the power of the state—without understanding of such systems by either the people or the statesmen. To establish a money system by rational processes, and through the voluntary cooperation of its users, is without precedent. People do not want to understand money; they merely want to use it. This is consistent with their attitude toward all utilities. They expect the specialist to understand the theory or philosophy or science of the utilities they use; they desire merely to enjoy them. This attitude is a necessary corollary of the practice of specialization of labor for the production of greater wealth.

This outline of the valun system was not written with the expectation that it would be read and understood by all prospective members of Valun Exchanges. The hope, on the contrary, is that it will convince those persons who have the *quality of leadership* for this great human project. Such leadership will cause the mass to follow, for they love to follow and go places. To tell the common man that he has within him the power to create money is interesting; to tell him that he can be assured of control over his economic and political affairs is fascinating, but to explain the innards of the new gadget that is to thus serve him is boring.

Every money system that has thus far existed has been faulty and adverse to the interests of the people. But they have been handed to them as finished tools; they had only to use them and they have always avidly done so. Likewise, they will use this valun system without understanding it, once it can be used to ring a cash register.

While a private movement cannot have the prestige of a government project, we must still count on the only power that we can exert —and that is the power to inspire confidence. Faith springs eternal. Men yearn to place their faith in other men. Those of us who will dedicate ourselves to this grandest of all projects for humanity must by the earnestness and persistence of our pleading inspire our fellow men with confidence in our integrity and in our judgment.

We have one great advantage. That lies in the fact that any one can try the valun system without its costing him anything. Assume that we make the membership fee the nominal sum of 1 valun and that we estimate the check clearing charge at 3 cents and deliver to each member a book of 100 checks. Thus the total charge would be 4 valuns with nothing paid down and the four valuns to be the first debit on the member's account. Thus there is practically no sales resistance once we reach the point where we can actually begin enrolling.

These four valuns would be debited to each account and credited to the account of the Treasurer of the Exchange. Thus the Exchange would open with a credit balance—and this would be its working funds to carry it until there is more demand for check books by new or old members. It should be noted that the Exchange itself would have no money creating power, but would operate on a credit balance.

No capital is to be invested in the Exchange and no deposits are to be made to open a check account. In fact every account opens with an overdraft, due to the membership and check book charges. No funds are required beyond the funds needed to promote the project to the point of actual opening. For this we must depend upon voluntary contributions, or we can borrow funds payable out of the Treasurer's account when established.

OUR GREAT ADVANTAGE

Another great advantage we have is that we don't have to win elections, or convince the majority, before operation. The valun system is only for those who want to come into it. There is nothing to argue about, as in a political project where under it is proposed to impose a plan or a system upon those who do not favor it. Those who like it can come in; those who don't can stay out.

How many are needed to make an Exchange function? This is not easy to answer. It depends to some extent upon how compact the membership is, and also how varied are the lines represented. It also depends upon how much the enrolled membership is "rarin' to go." It would seem advisable, however, not to undertake operations unless there is assurance that at least one quarter of the members' business can be done in valuns.

When we get our first Exchange in successful operation we will have conquered the earth—because there will be no stopping the spread of the system. The publicity for the idea—which in the promotion of the first Exchange will require effort— will come automatically after operation. It will then pass into the realm of vital news, and the press and radio of the entire world will report on the experiment. Nothing could be such big news as the fact that a community of private enterprisers had solved the age old money problem and found the key to prosperity and the doom of collectivist philosophy and war propagation.

The promoters of the first Valun Exchange should concurrently promote the Valun International Trading Union which could actually start trading on a dollar basis before the valun is available. It should have a monthly or weekly publication devoted to promoting the valun idea and to mutual trading among members of the V.I.T.U. It should carry advertising cards of members, bidding for trade —and thus will be developed an acquaintance among these members who would be potential valun members in the first Exchange. If located within the state of the first Exchange, they would be prospective Class A members. If located elsewhere, they would be prospective Class B members.

The V.I.T.U. would unify all persons who may be interested in the valun movement, and would consolidate such interest behind local efforts to establish branch exchanges. Thus class B members would graduate into Class A members of local Exchanges, and the spade work for enlargement of the system would go on continuously. When justified, editions in other languages would be printed.

To serve as a unifier of all nationalities there should be selected —say from the language Esperanto—a limited lexicon of words commonly used in commerce and these should be translated into all languages so that valun members of all tongues may trade with each other without difficulty. Having broken the bounds of political money isolation, we should lose no opportunity to expand our system and unify trade.

All the Exchanges in the United States, and in other nations, will be federated through the Central Board of Valun Exchanges which would authorize each new Exchange. It could be made up of five delegates elected by the Board of the first Exchange— one to retire in favor of a delegate from each succeeding Exchange until each Exchange shall have one delegate on the Central Board. This has the potentiality of becoming a world federation of peoples on the economic plane with one language of trade, and abolishing all international money changing.

What will such a unifying system lead to? Here is plenty of room for the play of imagination, but one can conceive of only good resulting.

The ultimate result may be not only the complete abandonment of the political money system but also a coordination between the valun system and the political system for tax collecting purposes. Certainly if the present cumbersome and deceptive and oppressive tax system with its many nuisances could be unified and made automatic, it would not only reduce the tax burden but make it less bothersome. This could be accomplished by attaching to the check charge a pro rata amount to cover national, state and local taxes. It would distribute the cost of government on the basis of capacity to pay, since one's check writing capacity would, with certain exceptions and modifications, be a definite indication thereof. Since corporations merely distribute the cost of their taxes in the cost of their goods, it would seem advisable to make all taxes direct and individual. If such coordination should come about, it would necessarily imply the right of the membership of the Valun Exchange to approve the rate—and thus would be had an additional control over government expenditures, to say nothing of the restraining influence that would come from the abolishing of all hidden taxes.

Another tendency that would result from the valun system would be not only a decline in trade isolationism but also a spur to political isolation; and perhaps when we think the matter through, this is just as we would have it.

TRADE A UNIFIER

Men divide in political concepts, in religion, in social customs and racially—but unite naturally on trade. There is nothing snobbish in trade. Trade is an undeclared but inextinguishable democracy. Peoples of the highest culture trade with those of the lowest and distance is no barrier. There are no clashing ideologies in trade. It has but one common motive—self advancement or profit.

Governments do not contribute to this unifying influence that is common with all peoples in all parts of the world. On the contrary, they interfere with it. Their greatest separatist implement is their separate national money units. To this is added their tariffs, their subsidies and their embargoes. Lately they have come to use trade as an implement of economic warfare. Governments are trade disturbers and creators of international friction.

If trade is a unifier and promoter of wealth and interdependence, while governments are separators, disturbers and provokers, should we not strive for political isolation and economic union?

There is no more need for ambassadors or other government representatives in other nations, than there is for churches to send plenipotentiaries to each other. They are but spies, provocateurs and intriguers. Trade does not need them. Trade found its way around the world before the diplomatic idea was invented. What services they may render to tradesmen and travelers can be better rendered by private agencies—such as have no power to ensnare peoples in quarrels and intrigues.

Intervention of any kind by one government in the affairs of another nation is undemocratic, presumptuous and indefensible. All wars are negotiated by diplomats. If governments had no contact with each other, the provocative background could not be laid and private industrial and financial interests, and war mongers, would have no tool for international exploitation.

Reciprocal trade agreements for reduction of tariffs and negotiation of most favored nation agreements have no merits. Tariff is a method of taxing the citizenry, and nothing else. While it is designed to benefit special interests, and is one of the poorest forms of taxation, it nevertheless is nobody's business but the nation that applies it. It cannot injure any other nation. No nation needs to have tariffs because another nation has them. A free trade nation is not adversely affected by the tariff walls of other nations.

The delusion that one people dare not cast off political control over commerce until others have done so is a trick that preserves political power over all. This conspiracy of all politicians against all peoples makes each people confront a world wide bind that frustrates their aims of freedom. Unless a people is intelligent enough to deal singly with its own politicians, and their hidden industrial supporters, free trade can never come. No single people controls the politicians of all nations, but the politicians, internationally united back of the reciprocity or conference idea, thwart each people.

There is no such thing as "cheap foreign labor." An American laborer, in ratio to what he produces, is paid no more than any other laborer. The same is true of differing wage standards within the nation. There are merely different standards of production —and low standard production localities can compete with high standard production localities only in things where there is some natural local advantage. However, if any nation wishes to set up tariff barriers against the bugbears of "cheap foreign labor" and "foreign dumping," it is its own affair and justifies no reprisal.

Tariffs, subsidies, embargoes and patents contribute nothing to the economy. Arguments presented in support of them are synthetic logic designed to serve the special interests that use the economic power of governments for their private advantage. Government can contribute absolutely nothing to the economy of the nation by intervening in trade, domestic or foreign. It is only an irritant, a perverter and a debaser.

MONETARY DISARMAMENT

But trade interferences are the minor evils of government. Its major evil is its war making power. To escape this evil will be our greatest victory. We come at long last to the way out— for the valun system, once it gains such general acceptance as to entirely displace the political money system, will write the doom of Mars. Nothing could be more obvious than that peoples do not spontaneously rise against each other. They must be agitated by demagogues—but this is not enough. The demagogue *must be in control of the government money power* before he can effectuate his demagogy. All agitators first strive to get into political power—because, with that, comes the money power of government. Before the war precipitation the demagogue professes to be a man of peace, and is interested in military preparedness only "for defense." Even the cost of this he dares not reveal to the citizen. He does not raise it by taxes; he "borrows" it—which is a method of creating money that the constituency does not understand.

In the mean time the diplomats start the pot boiling— and in due time comes the incident that precipitates the war. Both before and during the war the public is not permitted to find out the cost of the war—and is even deluded into believing that it is profitable. For instance, our national income after federal taxes was, in 1941, $88 bns; in 1942—$104 bns; and in 1943—$112 bns. Thus our net income after paying Federal taxes has risen in these three yeasr, $24 bns. Thus the war has paid a per capita dividend of about $200—although, according to conservative estimates, it will actually cost each of us about $3,000. Of course, that we are profiting from the war is but an inflationary illusion, but, like the other shocking revelations that will come to us after peace, it will be too late to do anything about it. That is the game of war that politicians play through the political money power.

War is purely a politicians' game, and there is no natural basis for it. There is no people that wants to make war on any other people and, to bring a people into war, *their own politicians* must first deceive them and ensnare them. There is one way and one way only that this politicians' game of war can be defeated. This is to deny to government the money creating power, through which it frees itself from citizen control. We have heard war referenda advocated. It has never been tried—and would be a great embarrassment for war mongers—but it is conceivable that even this might be successfully maneuvered by a clever politician if he still controlled the money power. Take away his money power, however, and you have imposed upon him the unbeatable referendum. It would mean that every penny of expenditure—cash, pay-as-you-go —would have to be asked of and paid by the citizen. Thus every step would require his approval. There would be no camouflage, no illusion—and propaganda would have met its neutralizer. This is the war panacea; the formula for perpetual peace. Monetary disarmament is the only effective disarmament.

So we who are engaged in promoting the valun system are furthering a world trade unifying and perpetual peace movement, however unconscious of this grand aim we may be. Every step Foreword we take tends toward world economic union and political isolation and toward the curbing of government power to pervert domestic and foreign exchange and promote war.

Money freedom knows no barriers; knows no bounds. It presses on to unqualified freedom. Once man gains money mastery, there is no power that can thwart him. He will inevitably reduce government to the status of a public utility designed to render specified services, and not to control his destiny. He will unleash his natural powers of wealth production and bind the evil forces of adversity and war.

Democracy, to be effective, must be implemented with the money power. Once the money power goes democratic, everything goes democratic. There can be no autocracy or aristocracy—in either government or business—when the individual's money power is exerted. The will to work and win and the will to peace is in every man. Give him the money tool and he will carve his destiny and the destiny of the world—a brotherhood of peace and plenty.

CHAPTER 11
American Leadership
The Intellectual Revolution

In the minds of all peoples fighting this war, there is a reserve resolve, once the external enemy is defeated, to deal with internal problems. Therefore, revolutions will follow the declaration of "peace." We too, must have a revolution. Let us have it with our minds rather than with our muscles. Thus we may set, for other nations, a pattern that will not only save blood but also valuable time in attaining release from existing and menacing evils. Such a universal pattern is possible, because there is a common cause of human tribulations, and a mental attitude that is alike in all peoples. The common cause of distress is the inability of people to monetize their own labor and thus work out their own economic and political freedom. The common mental attitude that deludes them is the belief in "Santa Claus."

The Government invariably presents the image of Santa Claus. In spite of the frustrations of political paternalism, political prestige is now at its zenith. The people of all nations have come to believe that Government is an agency for economic betterment. Individualism and private enterprise are in the shadows cast by the towering state. The teachings of scholars and old-time statesmen have been forgotten. While there are still some who say, "yes, but," the "yes" gets broader and the "but" grows narrower. The time was when those who believed in the political means of salvation, would say: "there oughta be a law." Now they say: "there oughta be an appropriation."

When Government was largely a matter of prohibitory statutes, men like Thomas Paine met concurrence in the thought that "government is a necessary evil" but now that we have government by appropriation —and it essays to take care of us from the cradle to the grave—men tend to believe that government is a necessary blessing. What has brought about this transformation? Briefly, the increasing need of money, and therefore the increasing dependence upon Government which monopolizes the money power.

As the process of specialization of labor and resultant greater productivity of wealth progresses, the need for exchange increases —with resultant demand for greater money supply and its more equitable distribution. A tradition having fixed in men's minds the error that the state is the fountain of money, the political money system is put under increasing pressure to meet the demands put upon it. This pressure first manifested itself against the banking wing of the political money system. As has been shown in the foregoing studies, banks provide business with the power to create only substitute money, and this expands the total money supply until the accumulated deficiency—arising from the unliquidated interest charge, and from the unbalance between substitute dollars and government dollars—precipitates a reaction and depression ensues—and money supply is depleted through bankruptcy of banks and borrowers.

This process of alternate floods and droughts of bank money, called "business cycles," operated in every nation but had greater ebbs and flows in the United States—where it reached its climax in 1929. After waiting for four years for the cycle to renew itself, there arose a public demand that the government intervene to supply the money needed for revival. This pattern of ultimate breakdown of the private substitute money mechanism is common to all countries—with the result that the Government intervenes and becomes the main source (if not the only source, as in Russia), of money supply. The banking valvular method, of pumping in and pumping out, is now being superceded by the government constant flow method—which has but one cycle—by the exhausting of one unit through inflation and the creating of another.

In assuming the responsibility of supplying the economy with money, the government is put to it to find ways and means of channeling circulation. Various public works projects are conceived, and various subsidy and social benefit schemes are worked out, in an effort to facilitate exchange and balance money supply with goods supply. This end is pursued, not only by expanding money supply, but also by reducing goods supply. The latter becomes necessary because a single fountain cannot supply the necessary circulation unless the Government goes into the production and distribution of goods—as in Russia. Until we become further conditioned to the socialization of private enterprise, the Government does not dare to go into the production of wealth; therefore it can go only into the destruction of wealth—to relieve the unbalance between goods supply and money supply.

The killing of animals and plowing under of crops, and the paying for this destruction, is done with the aim of prosperity through scarcity; but that it is a prosperity of prostration is seen when it evolves into its ultimate destructive force by means of war. Militarism is the flower of the weed called "economy of scarcity." There are too many men, just as there is too much material—they must be "scarcified" by occupying their energies, and possibly consuming their lives, in the destructive endeavors of war—or in the idle time-serving of peace-time standing armies.

We are now in the most colossal manifestation of the philosophy of the economy of scarcity—with both the money-producing arm and the men and material destroying arm endeavoring to vindicate that philosophy, and there are not wanting minds that see in it tremendous postwar prosperity. To them, scarcity of goods and plentitude of money means prosperity. They do not realize that the power of money diminishes as its backing in goods diminishes, and that therefore we are impoverished regardless of how we have pyramided dollars.

With the peace, the problem will mount. To demobilize the military, and spew them on the labor market, will violate the principle of the economy of scarcity. To employ them on public works, or on "made work," will increase the dollars in circulation (of which there are already too many) without increasing consumer goods, of which there is now too little. But the Government cannot revert from its role as Santa Claus, and it will continue to put dollar candy bars in stockings, even though it bring digestive convulsions of inflation. If the people persist in their belief that the Government can be and is Santa Claus it may destroy civilization itself. Once the mental attitude of dependence becomes fixed in a people's mores, cultural advancement becomes impossible and decadence inevitable. Dependence is defeatism, leading to degradation. Crush individual initiative and nothing remains worth saving.

The illusion that there is a governmental Santa Claus exists in the minds of all peoples, and its influence is to sap them of their substance and rob them of their initiative. As we have learned from the Valun Studies, money can be issued only by the process of buying, and the issuer of money commands the sphere of its influence. Therefore, the Government Santa Claus process is one of buying our the people's estate, and accomplishes by economic operation what otherwise would have to be accomplished by military confiscation, as was done in Russia. Let us examine how it has, and is, operating in our country.

COMMUNISM FROM SANTA CLAUS

When the states created the national government, it was designed by the Constitution to be a federation of sovereign states, and not a merger. The Federal Government was granted, by the states, certain sovereign powers, such as the power to regulate interstate and international commerce; make war and peace; and coin money and regulate the value thereof." The states of

Maryland and Virginia ceded to it the District of Columbia, wherein— as well as in the territories and waters bordering the nation —it was granted exclusive jurisdiction. All else was reserved to the states. It was not dreamed that in the simple words— "coin money and regulate the value thereof"— lay the seed from which would grow the vine that would spread federal sovereignty, checking the sovereignty of the states, and alienating their citizens. Yet today, we have almost forgotten that we are, first of all, citizens of our respective states and that the only exclusive citizens that the federal Government has, are the voteless residents of the District of Columbia, home of our Santa Claus.

Since the federal Government functions by appropriation, a power that cannot be employed by our states—due to their lack of money power—we have transferred our affections to the great provider. The result was briefly outlined in the Introductory. For further data read "Bureaucracy Runs Amuck" by Lawrence Sullivan.

Beset as we are, with swarms of Government agents and all manner of bureaucratic regulations, we should recognize that it is political proprietorship that is creeping over us; the Government is buying us out. Bureaucracy is but the administrative machinery of a "buyocracy" which has come upon us through the unlimited money issuing power of the Government. Unless we overcome the Santa Claus complex and declare our independence of the political money power, we must become a dispossessed people, and even the mantel piece on which we hang our stocking will be owned by Santa Claus.

"The history of Liberty is a history of the limitation of governmental power, not the increase of it. When we resist, therefore, the concentration of power, we are resisting the process of death, because concentration of power always precedes the destruction of human liberties."—Woodrow Wilson.

But how can we resist this "process of death"? Resistance to governmental encroachments can be offered only by asserting sovereignty, and when we fail to exert our money power we yield our sovereignty. How can we desist that which we require, namely money, if we accept the Government as our main source of money supply? "Nobody shoots Santa Claus," but there is no need to shoot him. We need only quit writing notes to him and begin writing them to ourselves through our money issuing power. It is the only way out for the people, and the only way out for the Government, which is the victim of a perversive power, thrust upon it and accepted in ignorance of the laws of money.

DECLINE OF BANKERS' POWER

In Wilson's day we still depended for our money supply mostly upon the banks—a private institution. It was aristocratic, and was conducted for private banker profit and not for the benefit of the economy. But, there were then among us, at least a privileged group of citizens who were permitted to assert their money power, and thus kept the power from being exerted by Government. The banking system in every country is now socialized, and has no independent existence, nor would we recommend returning to that false system of privileged power, even if we could.

Yet it must be said in fairness to it, that it built America and other countries. Many an industry that is with us today, owes its existence to it, and could never spring up under the present political money monopoly. But it is no more, and we cannot return to it; we must go Foreword.

In the passing of the private banking system—the last remains of the private money mechanism with which money began —it may be appropriate to point out that it was foredoomed to ultimate socialization when it first came under political control. The Government, by its sponsorship of money, established a double standard for money—political money and bank-substitute money. Private, or bank-substitute money, could expand only in ratio to the existing supply of political money, and when it exceeded these bounds—as it was compelled to do to meet the demands of expanding commerce—it precipitated depression. These cycles of boom and depression came with increasing frequency and severity. After the last war the Government adopted a surplus budget policy—thus draining political money out of the economy, for the purpose of retiring bonds—thereby reducing the base upon which the bank-substitute money pyramid was being erected; and thus precipitated our worst private money collapse. This was the final blow at the private substitute money mechanism, but public disfavor toward the bank credit system was bound to bring about, sooner or later, a demand for Government money, which has no swings of the pendulum, because it has but one cycle through total inflation. There is nothing that can force it to balance its budget, and there is no safety device. Thus the public illusion lasts longer and the delusion is deeper and far more menacing than the short term cycle of the bank credit system.

The banking system, today, in every nation, is but an agency of government—a deceptive device for political finance. With the money system—which is the life blood of the economy—now socialized, it is inevitable that the entire economy will become socialized, unless we find the solution.

To do this, we must become fundamental in our thinking. We must comprehend the great liberating fact that the money power is in all of us, that it must not be perverted by political control, and that it must be democratically exerted to assure both economic and political democracy. Otherwise, the present process of subjection must continue. Every nation in the world is in the grip of the political money power; and, unless the citizens assert their private money power, all must go the way of Russia—where the Government ruthlessly asserts complete dominion, and imposes economic slavery in the name of ideology. We have in America already the beginnings of ideological opium in the thought that "the Government owes every man a living," and in the paternalism called "social gains." These signal "the process of death."

Ideological garments are cloaks for ugly facts. By violating the laws of money—for which the people are themselves to blame—Governments become the victims of a fallacy, whereunder they undertake to issue money on behalf of the people. No government can issue money except by acquiring something; and therefore, Government money creation—which is effected by deficit financing—inevitably develops Government proprietorship and private dispossession. As the fatalism of this process manifests itself, "ideological" justifications are invented to condition the minds of the people to the transformation; opiates for an otherwise painful operation. When in the evolution from the economy of scarcity—whereunder the government merely destroys wealth and slows up its production—the next step must be taken, by the operation of productive industries and the distribution of their products, the shift will come to the people cloaked in a pretty "ideological" phrase to sloganize it. The natural order never has any "ideologies" because it needs no defense mechanisms.

PROTESTS VAIN

Our forty-eight state governments, from the Governors down, are in revolt against the encroachments of the federal Government and its ominous threat to state sovereignty, but their protests alone are vain. Rescue can come only by the private action of the citizen through the assertion of his money power. By such assertion the governing power will lie at the grass roots in each state and be commensurately reduced at Washington. If we do not do this the process of subjection of states and citizens will continue unto communization.

We have failed to realize that the Federal Government's deficit power is its money power. By this process it has created over two hundred billions of deficit dollars, and continues at the rate of about five billions a month. With these deficit dollars it buys everything that is purchasable, and after the process has run its course through total inflation unto worthlessness of the dollar, it will own title to everything it has purchased and the people will have the paper receipts. The process may then be repeated by the creation of a new money unit. There is no such thing as Government bankruptcy, since its property cannot be levied upon, and there is no such thing as "Government debt," since everything it "owes" is but a promise to issue another promise, ad infinitum. The viciousness of political money power has never been comprehended by the people. We are being socialized by a process that is beyond our ken, and beyond the power of the government to arrest without our aid, which can be given only by the assertion of our private money power.

CONGRESSMAN WRITE HOME

To state that the officials of state governments are opposed to the expanding power of the Federal Government does not imply that federal officials are happy over it, or that it is the result of plot or evil design. It is possible that among the bureaucracy there may be some who are communist minded and who could say, "we planned it that way," but certainly there are none among our elected representatives. There is not a Senator or Representative at Washington who does not share the resentment of his state officials and the concern of thinking persons everywhere, over the serious situation that exists and the danger that menaces us. They suffer headaches and heartaches from the incessant appeals from constituents to do the impossible or ultimately harmful. At last, under the program for private action to assert the money power, a Congressman can write home to the folks and ask them to do something for themselves, and the release of the government from its dilemma.

Until you assume your responsibility of monetizing your own labor, the government will have an insuperable problem, no matter who its officials may be and its efforts to do for you what you must do for yourself will miscarry—and with increasing evil results. You may, in your perplexity, feel that the Government must be changed. But, it isn't the Government that needs to be changed, it's you. You must be fit not only for political self-government, but also for economic self-government. In fact, without the latter, the former is impossible. You cannot be a leaner on government. You must stand on your own; government must lean on you.

In asserting our money power, we will save political democracy by founding economic democracy; and will thus show the world a pattern of pacific revolution that all may emulate, and may gain thereby what could never be gained by violence, or by opera bouffe revolutions.

ECONOMIC DEMOCRACY

Economic democracy is 100% democracy; political democracy is merely the rule of the majority, leaving the minority forever tyrannized. However tragic it may be to thwart the minority— which always contains the seeds of progress, while the majority often represents decadence—political democracy can nevertheless operate in no other way.

Economic democracy, as asserted through the money power in all of us, involves no tyrannies or repressions. Each vote counts, and each voter wins the election. Elections are held in every market place, and in every town and city and farm, every hour of every day. When you exert your money power you cast the total vote in that exclusive sovereignty which is YOU. John Jones, next door, votes for the goods with the yellow label; you vote for the goods with the blue label. Neither has to yield to the other —both win. The manufacturer of the goods with the blue label may have the majority of the customers—but that doesn't interfere with the yellow label manufacturer serving the minority, no matter how tiny their number may be.

Because political democracy is unfair to minorities and economic democracy is fair to all, the sphere of the former must be minimized and the sphere of the latter maximized. This will be the logical consequence when we have asserted our individual money power and depend less upon the political means of attaining ends. Ultimately we will have complete separation of money and state—and will thus have achieved harmonious operation of the twin democracies.

Do you want to take part in this most fundamental of all revolutions to rescue both the people and the Government from a fatal error? If so, you must first of all have a one-man revolution within yourself by casting out doubts of your inherent money power and fear from any quarter. This accomplished, gang up with other like-minded revolutionaries on the intellectual plane. Start talking— not in whispers, for this is a revolution in a fish bowl with a loud speaker. It can't hurt anyone. We're not going to grab the government; we're not even going to try to win an election. This is a cooperative and evolutionary revolution—the ins are in and the outs remain as before, unmolested in their way of life.

Begin radiating the new credo by parlor parleys of small groups. Use this book as a text book, reading and discussing the studies. Expand your number until you can meet at some restaurant or hotel where you may have the space for the price of a meal. If in a rural section, ask for the use of the county court house, or school house, or farmers' Grange headquarters. If there be other valun groups in your city or county, work out a federation or merger. Develop trade as well as social intercourse among yourselves. Keep the press and radio informed of your activities. Enlist the churches and fraternities and commercial organizations. Be methodical; be persistent.

Remember, you are agitating a revolution to end political revolutions —a revolution that once and forever will make private enterprise really free—and will give the state and federal Government a really secure and well defined place in the scheme of life— where men and women will be permitted to work out their individual destinies without political intrusions and economic limitations, and where the threat of wars will be ended.

Always hold to this basic truth and resolve:

> Money can be issued only by the act of buying, and can be backed only by the act of selling. I buy and I sell. Therefore, I have the right, the power, and the duty to be a money issuer.

Government should not sell. Therefore it has no way of backing money issues. As it continues to issue unbacked money it gradually destroys the money system and undermines private enterprise upon which our life depends. Government's only alternative to the issuance of unbacked money is to back it by going into the making and selling of goods. This means government monopoly and dictatorship over all of us. Government can give us sound fully backed money. The Russian dictatorship is, as yet, the only government in the world that backs its money issues. Every ruble is backed by goods in the hands of government and available to its subjects to the extent of their meager holdings. But competition is gone and this means that man is no longer catered to; he is but a unit of man power in the machine that grinds out the means of a miserable existence without liberty and individuality. We can have sound money and stability and full employment through communism and shall have it if that is all we demand. But we must have all this with liberty and competition and free enterprise. Therefore, we, ourselves, must make our money sound and our economy stable by taking over the money issuing function and ultimately denying it to government.

This purpose must not be effectuated by an attack upon the political money system. It would be foolish to attack an existing system without first establishing a better one; and, when this is done, there will be no need to attack the old—because it will die from attrition. As more people come into the private money system, less trade will be done under the political money system; and the victory will be won purely by the test of public service and public preference. So, you see, we need no legislation or political action of any kind. If the idea of a private money system is sound, it is up to us to demonstrate it by private action.

This does not imply, however, that we do not need our public officials—even though we ask no official action. We need their help because of their public prestige and their forum capacities. Their help can be enlisted because of their sincere interest in the public welfare, and also because their cooperation with public movements leads to greater political preferment for themselves. Therefore, the governor and all the legislators, federal and state and municipal, the mayor and other public officials, should be kept informed of the movement and invited into it. The movement should have a unifying influence upon all the elements of our society; and this will be a great contribution to our common security in the disturbing days ahead.

THE COMING STORM

There is now brewing a cosmic storm that threatens every nation. Every national monetary unit must pass through the trial of inflation; and few, if any, will survive it. The dollar, which has been the North Star for international monetary navigation, is being shaken from its position; and the world will be without a standard. International trade, such as survives, will resort to whole barter; and every nation will have to struggle against the possible breakdown of money exchange, even internally. Runaway inflation and the war's end will come simultaneously—and either may precipitate the other.

The world must face a grave disillusionment. Modern governments have played an awful trick on their peoples. They have made the people believe that government—even in war—need not be a tax burden to the constituency, but can reverse the process, and, by means of an unbalanced budget, can actually reward the people. It is but a new and deceptive method of taxation that will fall upon the people all of a sudden when they try to exchange their money for goods. The collapse will be equal to all the South Sea and Mississippi bubbles and speculative collapses of history, rolled into one.

When the crisis comes, there will be a race between men and money —both seeking employment. If the money reaches the market places before the men reach the work places, there may result such a drastic and threatening price rise that manufacturers may pause for the storm to abate—and thus production paralysis may ensue while prices skyrocket. Be prepared for these contingencies. A large number of people will not listen to our program for a stable monetary unit until, in panic, they seek a storm cellar. It is imperative that the thinking, the far-seeing elements of our society begin the program for the valun before the dollar becomes too wobbly; and that they be thus prepared for the sudden onrush that may come from an inflation stampeded populace.

Chaos is a favorable climate for an emotional revolution; but not for an intellectual revolution, such as we are agitating. Let us, therefore, be fore-handed, sure-footed and cool-headed. The world has great need for these stabilizing qualities of leadership, for conditions will grow ever more critical until we turn from the political or centralized concept of money to the private or diffused method of exerting money power. With technology developing ever higher forms of labor specialization, thereby increasing the need for facile exchange, society is, under the political money system, driven toward centralized government and subjection. The only escape from this lies in the ability of man to grasp the money power and thus save civilization from decadence. The issue is—money or your life.