

# **The Case for a Complimentary Currency In Arizona**

## **Using Specie-Backed Sound Money**

**SB1423** gold and silver coins; taxation

**SB1141** legal tender; taxation

## **Testimony Before the Financial Institutions Committee of the Arizona Legislature 2016**

**Arizona Constitution Advocates**

in collaboration with the

**Foundation for the Advancement of Monetary Education**

February 10, 2016

## **When the U.S. Labor Movement began about 1830, three issues motivated workers to form unions:**

- The ten-hour workday;
- Education for workers;
- Honest money

(as opposed to paper money, which was issued by banks and was not legal tender).

**Arthur M. Schlesinger Jr.,— *The Age of Jackson*, Little Brown & Company, New York 1945**

In 1832 Andrew Jackson ran for President as a Populist Democrat.

- He made hard money and the discontinuation of the Bank of the United States his principal campaign issues.
- His rallying cry was “Gold is the friend of the farmer and the worker.”
- The perils of paper money were well understood.

**Today, that knowledge has been lost.**

The Framers wrote safeguards against paper money into the *Constitution*.

- Article I Section 8, Congress was given the power to coin money;
- Article I Section 10, the States were mandated to only use gold and silver coin when making a payment of debt.

The Framers were clear on not giving the government the power to “emit” bills, i.e., issue paper money.

The authors of our *U.S. Constitution* – especially Madison and Washington– had been financially ruined by a paper monetary system.

# Thomas Jefferson

- Was the Executor of father-in-law's estate that owed 11,000 pounds to English creditors who were due specie payment.
- In-laws also were due their share so plantation was sold to distribute shares.
- Buyers had little cash so Jefferson financed with a “purchase mortgage” (bond).
- Virginia issued paper money to fund the Revolutionary War.
- Buyers paid Jefferson in Virginia legal tender.
- Jefferson was not able to pay the 11,000 pounds off and died *de facto* bankrupt!
- James Madison and George Washington were also cheated!



*“... Of all the contrivances for cheating the laboring classes of mankind, none has been more effective than that which deludes them with paper money.”*

***Daniel Webster as quoted in Fiat Money Inflation in France by Andrew Dickson White.***

*"No legal tender law is ever needed to make men take good money; its only use is to make them take bad money.*

*Kick it out!"*

**Fraudhen T. Byington**  
***American Federationist, September, 1895***

# Ely Moore

President Typographers' Union ( One of the first in the U.S.)

Elected to Congress 1834

- France issued Assignats, paper money, that were counterfeited in London, rapidly depreciating the currency.
- France imposed the Death Penalty to anyone refusing Assignats with the Law of the Maximum.
- The currency collapsed in value; had to be abandoned.
- Moore supported Andrew Jackson who shut down the Second Bank of the United States that was issuing notes.
- Ely Moore set the Union policy as opposed to paper money.
- In 1890, the West Virginia, Kentucky Coal Mine Wars were fought partly over this same issue—miners paid in Scrip (paper).



# President Abraham Lincoln

- Issued irredeemable paper dollars called Greenbacks.
- After the Civil War...controversy over resuming hard money.
- Dissension among labor, banking and business.
- The only group that was steadfast for honest monetary weights and measures were the churches.
  - Violation of *8<sup>th</sup> Commandment* “Thou shalt not steal”
  - Violated prohibitions against tampering with weights and measures.
- Lincoln’s government declared Greenbacks ‘Legal Tender’
- Greenbacks depreciated over 50%;
- Lenders sued!



# President Ulysses Grant

- Grant signed the *Resumption Legislation* in 1874.  
(to resume gold-as-money—monetizing gold)

*“At times like the present, when the evils of unsound finance threaten us, the speculator may anticipate a harvest gathered from the misfortune of others, the capitalist may protect himself by hoarding or may even find profit in the fluctuation of values; but **the wage earner—the first to be injured by a depreciated currency and the last to receive the benefit of its correction—is practically defenseless.**”*

Annual Message to Congress 1888, [President Grover Cleveland](#) spoke of the danger of unsound money to workers.

# The Issue of Sovereignty

- The *10<sup>th</sup> Amendment* to the *Constitution* declares *“The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people,”*

Sovereignty over money is reserved to the people.

- The General Government
  - disabled from establishing ‘Legal Tender’
- The States
  - Use only gold and silver coin
  - Mine it
  - Refine it
  - U.S. mints Coin it (Coinage Act of 1792)
  - Comply with Standards set by Congress

# Scrip

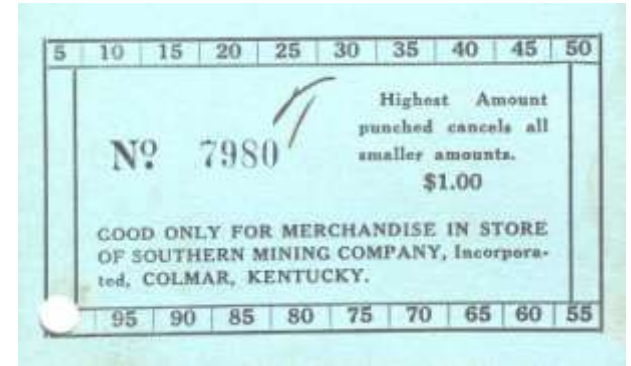
In the 19<sup>th</sup> century  
Coal mining, timber &  
other companies paid with Scrip.



- Scrip was a paper token redeemable only at the Company Stores and Housing Office; **they were trapped!**
- Stores had elevated prices (so companies could keep the usual 30% markup)
- Workers were at an economic disadvantage.
- Scrip was also easily devalued; sometimes counterfeited.
- An addendum outlawing **Debt Slavery** was added to a U.N. resolution.
- Today EVERYONE works for the banks; the FED owns currency.
- The FED took the wealth of your wallet and returned paper!
- This issue recruited many new members for the union.

# The American Federation of Labor (1890's)

- Unions opposed 'Scrip'
- Unions reaffirmed their commitment to honest monetary weights and measures.



- Nothing appears in a union paper without approval of leadership.
- The January 1896 issue of the *American Federationist*:

*“Gold is the standard of all great civilizations.”*

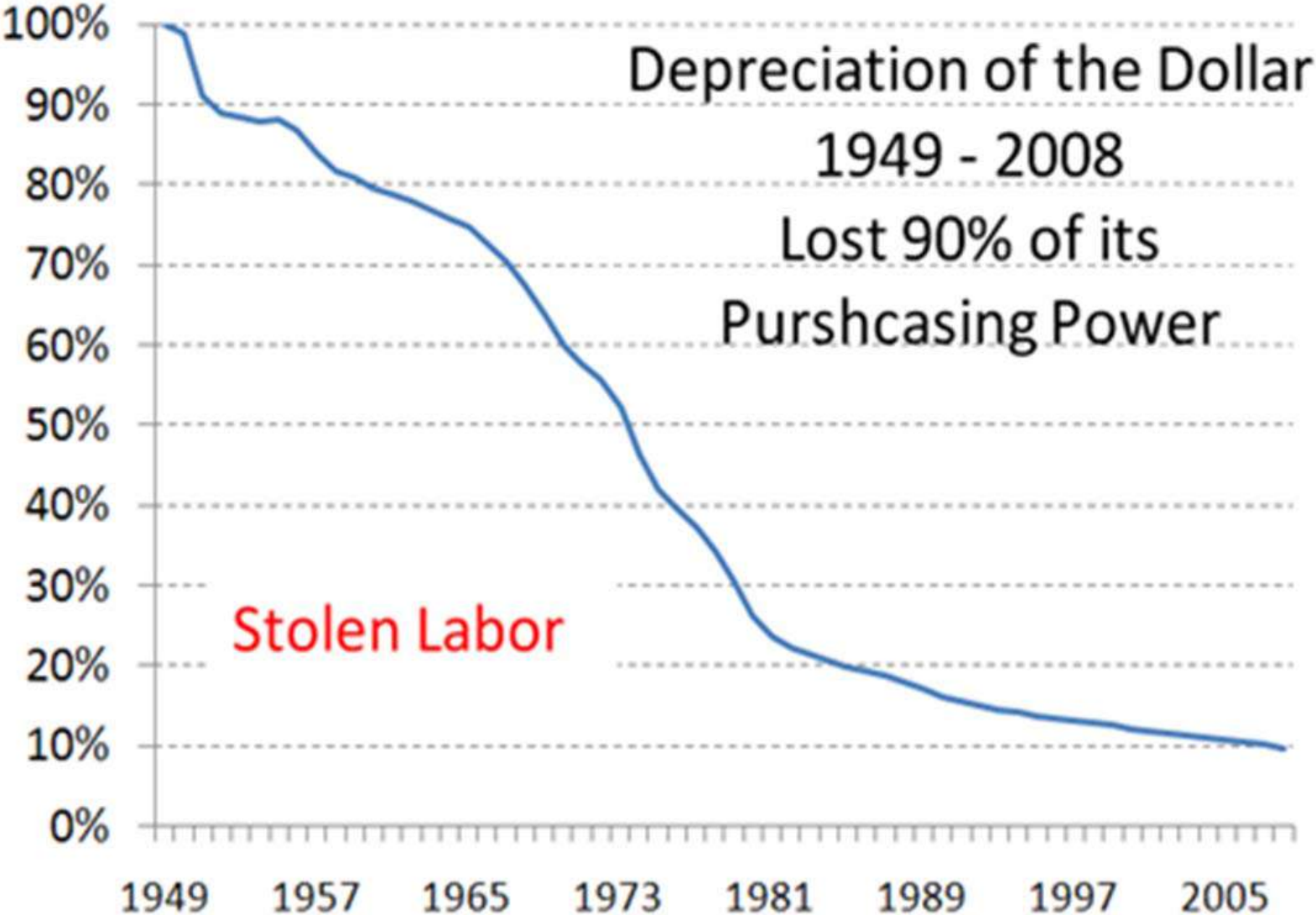
*“We believe in a financial policy that will neither depreciate our currency at home nor abroad.”*

*“We believe in an honest dollar.”*

"No legal tender law is ever needed to make men take good money; its only use is to make them take bad money. Kick it out!"

Fraudhen T. Byington  
*American Federationist*, September, 1895

# The Problem with Paper



Depreciation of the dollar 1949 – 2008; Source: Federal Reserve CPI data.

## **Currencies that lost More Than 90% of Their Purchasing Power 1950-1990**

Argentina	El Salvador	Mexico	Sri Lanka
Australia	France	New Zealand	Sudan
Bolivia	Ghana	Norway	Sweden
Brazil	Greece	Pakistan	Syria
Chile	Guatemala	Paraguay	Turkey
Columbia	Iceland	Peru	United Kingdom
Costa Rica	India	Philippines	Uruguay
Denmark	Israel	Portugal	Venezuela
Dominican Republic	Ireland	South Africa	Zimbabwe
Egypt	Italy	South Korea	
	Jamaica	Spain	



“Washington will therefore have little choice but to take the time-honoured course for all big-time debtors: **print more dollars, devalue the currency and service debt in ever cheaper greenbacks**. In other words, **the US will have to camouflage a slow-motion default because politically it is the easiest way out.**”



*Hon. Jeffrey Garten*  
*Financial Times, November 30, 2009*  
“We must get ready for a weak-dollar world”

## Some questions that Labor might ask are:

- If it is better at protecting workers from inflation, why shouldn't workers be paid in real money, e.g., gold or silver coins that hold value against depreciating paper values?
- Why should workers be at risk that their fiat “dollar” savings and pensions will be valueless—or worth much less?
- After all, workers produced things that had real value. Somebody got the benefit of those things.  
(As has recently occurred in Russia, South Korea, Brazil, Thailand, the Philippines, Mexico, and elsewhere?)
- Why should workers be cheated out of the portion of the proceeds that was supposed to have been put aside for their future use?

## **Myriad other public policy issues important to Labor:**

- Wealth transfer from poorer people to richer people, concentrating wealth in the hands of the top 1%;
- Public funds transferred to private parties without public disclosure;
- Corporate bailouts (Chrysler, AIG, etc);
- Corruption of the Judicial Branch;
- NAFTA, the North American Union (NAU), the Trans-Pacific Partnership (TPP)--the transfer of American jobs to foreign nations;
- Underfunded Social Security, Medicare, pensions and retirement plans;
- Future public contracts between government and Labor are paid with increasingly cheaper dollars (having less and less buying power).

# Understanding the Fiat Money Injustice:

Imagine:

You create legal tender money

(declaring paper tokens as “dollars” — “Government Scrip”)

out of nothing with no work. You could:

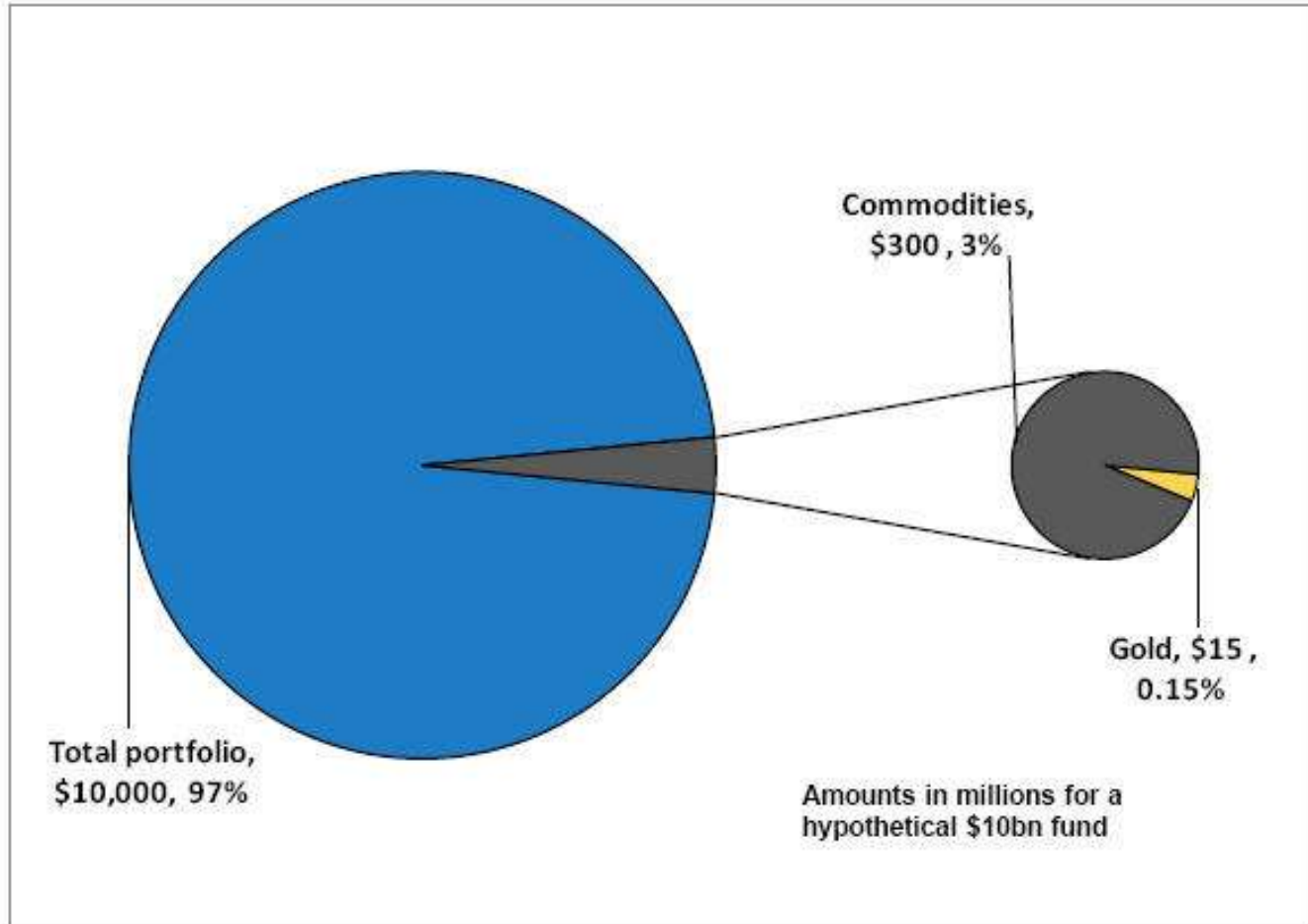
- Buy off politicians with unlimited “campaign contributions”;
- Enlist the coercive powers of government to consolidate your advantage over ordinary people and to further your ends;
- Redistribute the real wealth of society from those who earned it to yourself and other favored parties;
- Expropriate almost all of the wealth, reducing those who produced to poverty.

A small group of private corporations, has acquired the power to create legal tender money out of nothing. These banks and other financial institutions (collectively known as ‘Wall Street’).

## **Suppose the banking system sponsored legislation to allow:**

- a monopoly on the creation of money out of nothing;
- an exclusion from Securities and Exchange Commission rules to allow banks—and only banks—the privilege of carrying a substantial portion of their assets at historic cost rather than marking-to-market;
- a public subsidy whereby ordinary taxpayers would guarantee bank balance sheets and replenish them if they become impaired;
- the privilege of having some of their very top executives to meet regularly and in secret with the Board of Governors of the Federal Reserve--their supposed regulators.

# Gold holdings at U.S. pension funds are negligible...



Source: TRS



(c) Foundation for the Advancement of  
Monetary Education

## **Current Consensus:**

### **Current / Future Levels of Debt are Unsustainable**

1. Arizona should act quickly and decisively to protect its citizens.
2. Acceptance of drastic changes need to be constitutional.
3. Day-to-day transactions will still need legal tender.
4. Why would anyone care if the dollar is depreciating at the Federal Reserve's hoped-for rate of 2% or thereabout?
5. We doubt they will, unless there is a sudden, catastrophic failure.

**The Legal Tender Acts leave everything in place, but protect those who use them from future depreciation.**

**SPECIE HOLDINGS PARTIALLY COVER FAILURE OF FDIC  
TO FULLY FUND DEFAULTS OR COLLATORAL SECURITY**



# The U.S. Dollar fell 86% Since 1965!!!

- It takes \$7 today to buy what \$1 did in 1965.
- Tax free investments need 4.3% return just to break even.
- 4.3% offsetting return IS NOT INCOME, but IS TAXED.
- Day-to-day transactions will still need legal tender.
- Since 1965, Treasury Bills produced 5.7% annually.
- If in the 25% tax bracket since 1965, this income is ZERO.
- OR, 25% tax bracket since 1965 stripped 1.4 points of yield and inflation stripped the remaining 4.3 points.
- Hidden 'inflation' tax = 3 X stated income tax, but people think income tax is the main financial burden.

**"In God We Trust" is imprinted on our currency, but the hand that pumps government's printing press is all too human.**

by Warren Buffett

<http://finance.fortune.cnn.com/2012/02/09/warren-buffett-berkshire-shareholder-letter/>

# **Some People will Care, then More!**

**With precious metals staying power...**

Future payments (retirement) will be at a value that one is anticipating.

Future payments should be made in gold or liquidated from gold holdings

Same weight and fineness as were current at purchase (the time that contracts were entered into).

Transition to a gold-as-money monetary system (monetizing gold).

**Our country will then reap the benefits of a sound system that will encourage savings, capital investment, high paying jobs,**

## **Some People will Care, then More!**

Agreements for future payment in gold cannot be accomplished if there are taxes on the money itself.

--The provisions in *The Legal Tender Act* to eliminate any taxes on gold and silver are essential.

**Arizona will then reap the benefits of:**

- **Business relocating will land instead of flying over;**
- **The State of Arizona can harbor emergency and rainy day funds in a medium of exchange that preserves value;**
- **Pension Funds will harbor the value of the labor that created them.**

OF 173 FUNDS, ARIZONA pension funds expected to benefit are:

- Arizona Corrections Officer Retirement Plan
- **Arizona Elected Officials' Retirement Plan**
- Arizona Public Safety Personnel Retirement System
- Arizona State Retirement System
- Tucson Supplemental Retirement System



OR



- Stable Interest Rates
- Stable Foreign Exchange
- Honest Money
- No Special Privileges
- Rule of Law
- **Keep payment promises**

- Volatile Interest Rates
- Volatile Foreign Exchange
- Dishonest
- Special Privilege for Banks
- Emergency Powers
- Presidential Directives
- Executive Orders
- **Break payment promises**

# “Gold is The Standard of Every Great Civilization”

The American Federation of Labor (1896)

